



**Kereskedelmi és Hitelbank Zártkörűen Működő  
Részvénytársaság**

**ANNUAL REPORT**

**31 December 2025**

## CONTENT

### Annual financial statements

Independent auditors' report

Income statement

Statement of comprehensive income

Statement of financial position

Statement of changes in equity

Statement of cash flows

Notes

Business report



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## Independent Auditors' Report

To the shareholder of K&H Bank Zrt.

### Report on the Audit of the Separate Financial Statements

#### *Opinion*

We have audited the 2025 separate financial statements of K&H Bank Zrt. ("the Bank"), which comprise the separate statement of financial position as at 31 December 2025, with total assets of MHUF 6,262,526, the separate income statement, with profit for the year of MHUF 138,211, and the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Bank as at 31 December 2025, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRSs) and they are prepared, in all material respects, in accordance with the provisions applicable to entities preparing annual financial statements in accordance with EU IFRSs of Act C of 2000 on Accounting in force in Hungary (Act on Accounting).

#### *Basis for Opinion*

We conducted our audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Bank in accordance with ethical requirements that are relevant to audits of the separate financial statements of public interest entities as provided in applicable laws in force in Hungary, the policy on rules of conduct (ethics) of the audit profession and on disciplinary procedures of the Chamber of Hungarian Auditors and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements as applicable to audits of the separate financial statements of public interest entities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

This is an English translation of the Independent Auditors' Report on the 2025 separate financial statements of the K&H Bank Zrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete separate financial statements it refers to.

K&H Bank Zrt. - K31 - 2025.12.31.



**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Impairment of loans and advances to corporates and households measured at amortized cost—expected credit losses (ECL)</b>	
<p><i>Carrying amount of loans and advances to corporates and households measured at amortized cost as at 31 December 2025: HUF 2,480,053 million</i></p> <p><i>Total impairment allowance as at 31 December 2025: HUF 25,537 million</i></p> <p><i>Refer to Note 2.2 “Significant accounting judgements and estimates”, Note 2.3.3 “Financial assets - Impairment” and Note 15 “Financial assets and financial liabilities by portfolio and product” and Note 21 “Loans and advances, breakdown by portfolio and quality” and Note 23 “Impairment on financial assets at amortised cost and provision for credit commitments” and Note 42.4 “Credit risk” and Note 42.5 “Credit risk – forborne loans”</i></p>	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Impairment allowances on loans and advances to corporates and households measured at amortized cost represent management’s best estimate of expected credit losses (ECL). Measuring ECL under IFRS 9 is complex and involves significant judgement.</p> <p>For performing exposures (Stage 1 and Stage 2) and for individually not-significant non-performing exposures (Stage 3) impairment is calculated on a collective basis using models that rely on key parameters such as probability of default (PD), exposure at default (EAD) and loss given default (LGD). These models depend on the identification of significant increases in credit risk (SICR), historical default and loss data, forward-looking information and management overlays.</p> <p>For individually significant non-performing exposures (Stage 3), impairment is assessed individually using discounted cash flow models. This involves subjectivity in identifying default and other impairment triggers and in estimating future cash flows, including the timing and amount of recoveries and collateral realization.</p> <p>In the current environment of heightened economic uncertainty, assumptions relating to</p>	<p>With the support of our credit risk, valuation and IT specialists, we tested key controls over the credit risk and ECL process and performed detailed procedures focused on the most judgmental aspects of the ECL measurement.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Methodology and framework:</b> Inspecting the Bank’s ECL methodologies (including staging criteria and the definition of default) and assessing their compliance with IFRS 9 and regulatory guidance, and whether the level of sophistication was appropriate for the Bank’s risk profile.</li> <li>— <b>Controls over credit risk and ECL process:</b> Testing the design, implementation and, where relevant, operating effectiveness of key controls over loan approval, data capture, monitoring and impairment, including controls over staging (identification of significant increases in credit risk and default events), days-past-due calculations and the calculation and approval of impairment allowances. Testing relevant IT general and application controls over key credit and source systems.</li> </ul>

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K&H Bank Zrt. - K31 - 2025.12.31.



<p>default rates, PD, LGD, recovery scenarios and forward-looking information are particularly judgmental and sensitive. As a result, we identified the impairment of loans and advances to corporates and households as an area with a significant risk of material misstatement and determined it to be a key audit matter.</p>	<ul style="list-style-type: none"><li>— <b>Collective ECL:</b> Evaluating ECL models and the related model documentation; assessing the reasonableness of forward-looking information and macroeconomic scenarios used in the models by comparing them to external forecasts and market data; challenging assumptions relating to SICR, PD, LGD, EAD parameters and management overlays.</li><li>— <b>Individual ECL:</b> For a risk-based sample of individually assessed loans, assessing whether impairment triggers and staging criteria (Stage 2 versus Stage 3) were identified appropriately by reference to loan files and discussions with credit risk and relationship managers; challenging key assumptions in the cash-flow projections (including recovery strategies, timing of recoveries and expected collateral proceeds) by reference to loan files and collateral valuation reports.</li><li>— <b>Overall reasonableness and disclosures:</b> Analyzing movements in impairment allowances and coverage ratios for key portfolios during the year; and assessing whether the loan impairment and credit risk-related disclosures are complete and appropriate in accordance with the applicable financial reporting framework.</li></ul>
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#### *Other Information*

The other information comprises the 2025 separate business report of the Bank. Management is responsible for the preparation of the separate business report in accordance with the Act on Accounting and other applicable legal requirements, if any.

Our opinion on the separate financial statements expressed in the Opinion section of our report does not cover the separate business report.

In connection with our audit of the separate financial statements, our responsibility is to read the separate business report and, in doing so, consider whether the separate business report is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the Act on Accounting, we are also responsible for assessing whether the separate business report has been prepared in accordance with the Act on Accounting and other applicable legal requirements and expressing an opinion on this and whether the separate business report is consistent with the separate financial statements.

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K&H Bank Zrt. - K31 - 2025.12.31.



With respect to the separate business report, based on the Act on Accounting, we are also responsible for checking whether the separate business report includes the sustainability statement specified in Chapter III/A of the Act on Accounting.

In our opinion the 2025 separate business report of the Bank is consistent, in all material respects, with its 2025 separate financial statements and the applicable provisions of the Act on Accounting.

There are no other legal requirements that are applicable to the separate business report, therefore, we do not express an opinion in this respect.

We declare that the sustainability statement specified in Chapter III/A of the Act on Accounting has not been provided in the separate business report based on the exemption set out in Section 95/F of the Act on Accounting.

In addition, in light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the separate business report, and if so, the nature of such misstatement. We have nothing to report in this regard.

#### *Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements*

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with EU IFRSs and for the preparation of the separate financial statements in accordance with provisions applicable to entities preparing annual financial statements in accordance with EU IFRSs of the Act on Accounting and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

#### *Auditors' Responsibilities for the Audit of the Separate Financial Statements*

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

We were appointed by the shareholder on 24 April 2025 to audit the separate financial statements of the Bank for the financial year ended 31 December 2025. Our total uninterrupted period of engagement is one year, covering the financial year ending 31 December 2025.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank dated 7 April 2026;
- we have not provided to the Bank prohibited non-audit services (NASs) as set out by Article 5(1) of Regulation (EU) No 537/2014 and in terms of the member state derogations by the Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors in force in Hungary. We also remained independent of the audited entity in conducting the audit.

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K&H Bank Zrt. - K31 - 2025.12.31.



The engagement partner on the audit resulting in this independent auditors' report is the signatory of this report.

Budapest, 21 April 2026

KPMG Hungária Kft.

Registration number: 000202

Zsuzsanna Csáki

*Partner, Professional Accountant*

Registration number: 007448

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K&H Bank Zrt. - K31 - 2025.12.31.

**KERESKEDELMI ÉS HITELBANK ZÁRTKÖRŰEN MŰKÖDŐ RÉSZVÉNYTÁRSASÁG**

**SEPARATE FINANCIAL STATEMENTS  
PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS ADOPTED BY THE EUROPEAN UNION**

**FOR THE YEAR ENDED 31 DECEMBER 2025**

**WITH THE REPORT OF INDEPENDENT AUDITOR**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****CONTENTS OF THE SEPARATE FINANCIAL STATEMENTS**

SEPARATE INCOME STATEMENT .....	5
SEPARATE STATEMENT OF COMPREHENSIVE INCOME .....	6
SEPARATE STATEMENT OF FINANCIAL POSITION .....	7
SEPARATE STATEMENT OF CHANGES IN EQUITY .....	8
SEPARATE STATEMENT OF CASH FLOWS .....	9
NOTE 1 – GENERAL.....	12
NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION .....	12
2.1 Basis of presentation .....	12
2.1.1 Statement of compliance .....	12
2.2 Significant accounting judgements and estimates .....	12
2.3 Material accounting policies.....	13
2.3.1 Foreign currency translation.....	13
2.3.2 Financial assets.....	13
2.3.2.1 Financial assets – recognition and derecognition .....	14
2.3.2.1.1 Recognition .....	14
2.3.2.1.2 Derecognition and modification .....	14
2.3.2.1.3 Write-offs .....	16
2.3.2.2 Equity and debt instruments classification .....	16
2.3.2.2.1 Classification and measurement – debt instruments.....	17
2.3.2.2.2 Business model assessment .....	17
2.3.2.2.3 Assessment whether contractual cash flows are solely payments of principal and interest (SPPI) .....	18
2.3.2.2.4 Reclassification.....	18
2.3.2.2.5 Classification and measurement – Equity instruments .....	18
2.3.2.2.6 Classification and measurement - Derivatives.....	19
2.3.2.3 Fair value hierarchy of financial instruments .....	19
2.3.3 Financial assets - Impairment.....	20
2.3.3.1 Definition of default .....	20
2.3.3.2 Expected credit loss model.....	20
2.3.3.3 Significant increase in credit risk since initial recognition .....	21
2.3.3.3.1 Multi-Tier Approach – Bond portfolio .....	21
2.3.3.3.2 Multi-tier approach – Loan portfolio .....	22
2.3.3.4 Measurement of ECL .....	22
2.3.3.5 Purchased or originated credit impaired (POCI) .....	23
2.3.4 Cash, cash balances with central banks and other demand deposits.....	23
2.3.5 Financial liabilities .....	23
2.3.5.1 Financial liabilities – recognition and derecognition.....	23
2.3.5.2 Financial liabilities – own credit risk.....	24
2.3.5.3 Financial liability – financial guarantee contract.....	25
2.3.6 Offsetting.....	25
2.3.7 Hedge accounting.....	25
2.3.8 Participations.....	26
2.3.9 Leasing .....	26
2.3.9.1 The Bank, as a lessee.....	26
2.3.9.2 The Bank, as a lessor .....	27
2.3.10 Equity (Reserves) .....	28
2.3.11 Dividend on ordinary shares.....	28
2.3.12 Share based payment transactions .....	28
2.3.13 Investment property.....	28
2.3.14 Property and equipment.....	28
2.3.15 Intangible assets .....	29
2.3.16 Impairment of non-financial assets.....	30
2.3.17 Contingent liabilities .....	30
2.3.18 Provisions .....	30
2.3.19 Revenue recognition.....	31
2.3.19.1 Net interest and similar income .....	31
2.3.19.2 Net fee and commission income.....	31
2.3.20 Employee benefits .....	32

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

2.3.20.1 Short-term employee benefits.....	32
2.3.20.2 Post-employment benefits .....	32
2.3.21 Government grants .....	32
2.3.22 Levies .....	32
2.3.23 Income tax .....	33
2.3.24 Non-current assets held-for-sale, liabilities associated with disposal groups .....	33
2.3.25 Fiduciary assets .....	33
2.3.26 Events after reporting period .....	34
2.4 Changes in accounting policies .....	34
2.4.1 Adoption of new or revised standards and interpretations .....	34
2.4.2 New accounting pronouncements.....	34
2.5 Taxes and levies payable by financial institutions .....	35
2.6 Change in estimate .....	35
2.7 Restatement.....	36
NOTE 3 – INTEREST RATE CAP .....	37
NOTE 4 – NET INTEREST AND SIMILAR INCOME .....	38
NOTE 5 – NET FEE AND COMMISSION INCOME.....	39
NOTE 6 – NET GAINS / (LOSSES) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS.....	40
NOTE 7 – NET REALISED GAINS / (LOSSES) FROM SECURITIES AT FAIR VAUE THROUGH OTHER COMPREHENSIVE INCOME.....	40
NOTE 8 – DIVIDEND INCOME .....	41
NOTE 9 – GAINS / (LOSSES) ON THE DISPOSAL OF ASSETS AT AMORTISED COST .....	41
NOTE 10 – OTHER INCOME AND EXPENSE .....	41
NOTE 11 – GENERAL ADMINISTRATIVE EXPENSES .....	42
NOTE 12 – BANK TAX.....	43
NOTE 13 – AVERAGE NUMBER OF PERSONNEL AND STAFF EXPENSES .....	44
NOTE 14 – INCOME TAXES.....	45
NOTE 15 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY PORTFOLIO AND PRODUCT .....	47
NOTE 16 – TRANSFERRED FINANCIAL ASSETS .....	59
NOTE 17 – OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES .....	61
NOTE 18 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES.....	64
NOTE 19 – FINANCIAL ASSETS MANDATORILY AT FAIR VALUE AND FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS.....	71
NOTE 20 – FINANCIAL ASSETS AND LIABILITIES, BREAKDOWN BY PORTFOLIO AND GEOGRAPHIC LOCATION .....	72
NOTE 21 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY .....	74
NOTE 22 – IMPAIRMENT ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME.....	84
NOTE 23 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS .....	85
NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS .....	98
NOTE 25 – OTHER ASSETS.....	107
NOTE 26 – DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES .....	108
NOTE 27 – INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES .....	109
NOTE 28 – INVESTMENT PROPERTIES .....	110
NOTE 29 – PROPERTY AND EQUIPMENT .....	112
NOTE 30 – INTANGIBLE ASSETS.....	114
NOTE 31 – PROVISIONS FOR RISK AND CHARGES.....	115
NOTE 32 – OTHER LIABILITIES .....	116
NOTE 33– SHARE CAPITAL .....	116
NOTE 34 – CHANGE IN FINANCING.....	117
NOTE 35 – COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES.....	120
NOTE 36 – FINANCE LEASES .....	124
NOTE 37 – RELATED PARTY TRANSACTIONS .....	128
NOTE 38 – DEFINED BENEFIT PLAN .....	132
NOTE 39 – AUDITOR’S REMUNERATION .....	132
NOTE 40 – SUBSIDIARIES .....	133
NOTE 41 – SUBSEQUENT EVENTS .....	134

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

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NOTE 42 – RISK MANAGEMENT .....	135
42.1 General .....	135
42.2 Liquidity risk and funding management.....	137
42.3 Market Risk.....	145
42.4 Credit risk.....	148
42.5 Credit risk – forborne loans.....	165
42.6 Operational risk.....	175
NOTE 43 – SHARE BASED PAYMENT .....	176
NOTE 44 – SOLVENCY AND CAPITAL.....	178

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****SEPARATE INCOME STATEMENT**

	Notes	2025 MHUF	2024 MHUF
Interest and similar income		468 218	469 446
Interest income calculated using the effective interest method	5	303 184	325 334
Other similar income	5	165 034	144 112
Interest and similar expense	5	(243 814)	(254 826)
Net interest and similar income		224 404	214 620
Fee and commission income		164 793	142 234
Fee and commission expense		(43 214)	(36 852)
Net fee and commission income	6	121 579	105 382
Net gains / (losses) from financial instruments at fair value through profit or loss	7	17 970	16 274
Foreign exchange differences		14 962	19 458
Dividend income	9	964	1 289
Net gains / (losses) on the disposal of debt instruments at amortised cost		922	654
Other income	10	14 224	2 312
Other expense	10	(796)	(11 657)
Total income		394 229	348 332
Operating expenses excluding impairment losses		(228 019)	(204 828)
Staff expenses	13;40	(47 246)	(43 964)
General administrative expenses	11	(120 730)	(99 325)
Depreciation and amortisation of tangible and intangible assets	31;32	(34 679)	(29 984)
Bank tax	12	(25 364)	(31 555)
Impairment:		(3 671)	8 727
At amortised cost	24	(2 933)	8 322
At fair value through other comprehensive income	23	(17)	(154)
Other - impairment on non-financial asset		(721)	559
Modification losses on financial assets at amortized cost		(1 797)	(890)
Profit / (loss) before tax		160 742	151 341
Income tax expense	15	(22 531)	(23 108)
Profit / (loss) after tax		138 211	128 233

Approved by the Board of Directors on 20 April 2026.

*Peter Roebben*  
Chief Executive Officer  
Member of the Board

*Attila Gombás*  
Chief Financial Officer  
Member of the Board

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****SEPARATE STATEMENT OF COMPREHENSIVE INCOME**

	Notes	<u>2025</u> MHUF	<u>2024</u> MHUF
Profit / (loss) after tax		138 211	128 233
Other comprehensive income			
Items that may be reclassified to the profit or loss			
Revaluation reserve of debt instruments			
Net gain / (loss) from fair value changes		(6 485)	2 313
Deferred tax impact on fair value changes	28	702	(250)
Transfer from revaluation reserve to net profit:			
(Losses)/gains on impairment	23	17	154
Deferred income tax	28	(2)	(17)
Cash flow hedge			
Net gain / (loss) from fair value changes	7	3 999	8 192
Deferred tax impact on fair value changes	28	(360)	(737)
Transfer from cash flow hedge reserve to net profit:			
Gross amount	7;25	550	80
Deferred income tax	28	(49)	(7)
Items that will not be reclassified to the profit or loss			
Revaluation reserve of equity instruments			
Net gain / (loss) from fair value changes		(31)	372
Deferred tax impact on fair value changes	26	41	15
Actuarial result on defined benefit plans	38	<u>2</u>	<u>-</u>
Total other comprehensive income / (loss)		(1 616)	10 115
Total comprehensive income		<u>136 595</u>	<u>138 348</u>

Approved by the Board of Directors on 20 April 2026.

*Peter Roebben*  
Chief Executive Officer  
Member of the Board

*Attila Gombás*  
Chief Financial Officer  
Member of the Board

# K&H BANK ZRT.

## SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### SEPARATE STATEMENT OF FINANCIAL POSITION

	<u>Notes</u>	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
<b>ASSETS</b>			
Cash and cash balances with central banks and other demand deposits with credit institutions		604 999	1 015 428
Cash		94 868	89 885
Cash balances with central banks	16;20	391 822	881 595
Other demand deposit with credit institutions	16;20	118 309	43 948
Financial assets		5 427 126	4 927 870
Held for trading	16;25	46 682	53 193
Mandatorily at fair value through profit or loss	20;22	523 249	382 876
At fair value through other comprehensive income	16;22	419 571	476 670
of which assets pledged as collateral	16	7 985	31 584
At amortised cost	16;22	4 341 668	3 892 938
of which assets pledged as collateral	16	83 388	45 154
Hedging derivatives	25;22	95 956	122 193
Fair value changes of hedged item under portfolio hedge of interest rate risk	25	(45 231)	(68 439)
Tax assets		1 932	1 435
Current tax asset		100	-
Deferred tax assets	28	1 832	1 435
Investments in subsidiaries and associated companies	29	16 241	16 241
Investment property	30	73	122
Property and equipment	31	53 264	49 298
Intangible assets	32	114 752	112 167
Other assets	27	89 370	50 111
<b>Total assets</b>		<b>6 262 526</b>	<b>6 104 233</b>
<b>LIABILITIES AND EQUITY</b>			
Financial liabilities		5 479 681	5 352 525
Held for trading	16;25	47 413	53 500
Designated at fair value through profit or loss	20;22	72 131	55 130
Measured at amortised cost	16;22	5 285 096	5 157 693
Hedging derivatives	25;22	75 041	86 202
Fair value changes of hedged item under portfolio hedge of interest rate risk	25	(18 866)	(42 985)
Tax liabilities		2 838	6 054
Current tax liabilities		2 753	6 054
Deferred tax liabilities	28	85	-
Provisions for risks and charges and credit commitments	24;33	5 113	5 064
Other liabilities	34	61 243	75 653
<b>Total liabilities</b>		<b>5 530 009</b>	<b>5 396 311</b>
Share capital	35	140 978	140 978
Share premium		48 775	48 775
Other reserves		77 902	66 048
Accumulated profit		464 862	452 121
<b>Total equity</b>	36;46	<b>732 517</b>	<b>707 922</b>
<b>Total liabilities and equity</b>		<b>6 262 526</b>	<b>6 104 233</b>

Approved by the Board of Directors on 20 April 2026.

*Peter Roebben*  
Chief Executive Officer  
Member of the Board

*Attila Gombás*  
Chief Financial Officer  
Member of the Board

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**SEPARATE STATEMENT OF CHANGES IN EQUITY**

	Other reserves						Retained earnings	Total equity
	Share capital	Share premium	Statutory risk reserve	Revaluation reserve of securities	Cash flow reserve	Other revaluation reserves		
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	
2024								
Balance at the beginning of the period	140 978	48 775	57 503	4 896	(18 826)	52	336 196	569 574
Transfer from revaluation reserve to retained earnings (Note 7)	-	-	-	(515)	-	-	515	-
Net profit for the year	-	-	-	-	-	-	128 233	128 233
Other comprehensive income for the period (Note 6)	-	-	-	2 587	7 528	-	-	10 115
Total comprehensive income	-	-	-	2 587	7 528	-	128 233	138 348
Transfer from retained earnings to statutory risk reserve (Note 44)	-	-	12 823	-	-	-	(12 823)	-
Total change	-	-	12 823	2 072	7 528	-	115 925	138 348
Balance at the end of the period	<u>140 978</u>	<u>48 775</u>	<u>70 326</u>	<u>6 968</u>	<u>(11 298)</u>	<u>52</u>	<u>452 121</u>	<u>707 922</u>
of which revaluation reserve for shares	-	-	-	667	-	-	-	667
of which revaluation reserve for bonds (Note 15)	-	-	-	4 230	-	-	-	4 230
2025								
Balance at the beginning of the period	140 978	48 775	70 326	6 968	(11 298)	52	452 121	707 922
Transfer from revaluation reserve to retained earnings	-	-	-	(351)	-	-	351	-
Net profit for the year	-	-	-	-	-	-	138 211	138 211
Other comprehensive income for the period (Note 7)	-	-	-	(5 758)	4 140	2	-	(1 616)
Total comprehensive income	-	-	-	(5 758)	4 140	2	138 211	136 595
Dividend paid	-	-	-	-	-	-	(112 000)	(112 000)
Transfer from retained earnings to statutory risk reserve (Note 46)	-	-	13 821	-	-	-	(13 821)	-
Total change	-	-	13 821	(6 109)	4 140	2	12 741	24 595
Balance at the end of the period	<u>140 978</u>	<u>48 775</u>	<u>84 147</u>	<u>859</u>	<u>(7 158)</u>	<u>54</u>	<u>464 862</u>	<u>732 517</u>
of which revaluation reserve for shares (Note 16)	-	-	-	198	-	-	-	198
of which revaluation reserve for bonds (Note 16)	-	-	-	661	-	-	-	661

Other revaluation reserves include own credit risk adjustments and the actuarial result on defined benefit plans. The dividend paid on ordinary shares amounted to HUF 112 000 million in 2025 (no dividend was paid in 2024). Dividend paid on ordinary shares amounted to HUF 0.794450 HUF/share in 2025. See Note 44 for dividend proposed on ordinary shares in 2025.

Approved by the Board of Directors on 20 April 2026.

*Peter Roebben*  
Chief Executive Officer  
Member of the Board

*Attila Gombás*  
Chief Financial Officer  
Member of the Board

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****SEPARATE STATEMENT OF CASH FLOWS**

	<u>Notes</u>	<u>2025</u> <u>MHUF</u>	<u>Restated*</u> <u>2024</u> <u>MHUF</u>
<b>OPERATING ACTIVITIES</b>			
Profit / (loss) before tax		160 742	151 341
Adjustments for:			
Interest and similar income	5	(468 218)	(469 446)
Interest and similar expense	5	243 814	254 826
Net transfer from revaluation reserve of securities	8	(17)	(154)
Net transfer from cash flow hedge reserve	7	(501)	(80)
Depreciation and impairment of property, plant and equipment, intangible assets, financial assets at fair value through other comprehensive income and other assets	31;32	35 421	29 589
(Profit)/Loss on the disposal of property and equipment	10	(477)	(991)
(Profit)/Loss on the disposal of investment property	10	(116)	(77)
Change in impairment on financial assets valued at amortised cost	24	2 933	(8 322)
Change of modification result on financial assets at amortized cost		1 797	890
Change in other provisions	33	(443)	(210)
Unrealised valuation differences	7	(7 008)	(7 030)
Cash flows from operating profit / (loss) before tax and before changes in operating assets and liabilities		(32 073)	(49 664)
Changes in financial assets held for trading		15 367	24 699
Changes in financial assets mandatorily valued at fair value through profit or loss		(122 443)	(48 284)
Changes in financial assets valued at fair value through other comprehensive income		48 717	(289 680)
Changes in financial assets valued at amortised cost		(243 817)	(296 796)
Changes in other assets		(65 537)	29 512
Changes in operating assets		(367 713)	(580 549)
Changes in financial liabilities held for trading		(12 027)	(15 355)
Changes in financial liabilities designated at fair value through profit or loss		(3 697)	(48 053)
Changes in financial liabilities measured at amortised cost		144 295	379 778
Changes in other liabilities		38 753	(20 980)
Changes in operating liabilities		167 324	295 390
Income taxes paid		(25 912)	(22 747)
Interest received		462 056	479 456
Interest paid		(243 650)	(259 580)
Net cash from/(used in) operating activities		(39 968)	(137 694)

\*For details see note 2.7.

The accompanying notes on pages 12 to 178 are an integral part of these financial statements.

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****SEPARATE STATEMENT OF CASH FLOWS (continued)**

	<u>Notes</u>	<u>2025</u> <u>MHUF</u>	<u>Restated*</u> <u>2024</u> <u>MHUF</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of securities at amortised cost		(406 849)	(160 467)
Proceeds from the repayment at maturity of securities at amortised cost		192 340	54 666
Dividends received		964	1 289
Purchase of intangible fixed assets	32	(28 914)	(38 120)
Purchase of property, plant and equipment	31	(13 220)	(10 088)
Proceeds from the sale of property, plant and equipment	31	494	1 251
Proceeds from the sale of investment property	30	212	204
Net cash from/(used in) investing activities		<u>(254 973)</u>	<u>(151 265)</u>
<b>FINANCING ACTIVITIES</b>			
Repayment of subordinated liabilities		(13 817)	-
Proceeds from issuance of bonds		9 098	7 500
Repayment of principal of lease liabilities		(3 289)	(3 797)
Dividend paid		(112 000)	-
Net cash from/(used in) financing activities		<u>(120 008)</u>	<u>3 703</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>			
Net increase/(decrease) in cash and cash equivalents		(414 949)	(285 256)
Net foreign exchange difference		(2 517)	1 570
Cash and cash equivalents at beginning of the period		1 046 319	1 330 005
Cash and cash equivalents at end of the period		<u>628 853</u>	<u>1 046 319</u>

\*For details see note 2.7.

# K&H BANK ZRT.

## SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

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### SEPARATE STATEMENT OF CASH FLOWS (continued)

	Notes	2025 <u>MHUF</u>	Restated* 2024 <u>MHUF</u>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash balances with central banks and other demand deposits with credit institutions		604 999	1 015 428
Loans and advances to banks repayable on demand and term loans to banks < 3 months	16	<u>23 854</u>	<u>30 891</u>
Total cash and cash equivalents		<u>628 853</u>	<u>1 046 319</u>

\*For details see note 2.7.

Loans and advances to banks repayable on demand and term loans to banks < 3 months are recorded as Financial assets at amortised cost in the statement of financial position.

The Bank uses the indirect method for presentation of cash flows resulting from operating activities.

Approved by the Board of Directors on 20 April 2026.

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*Peter Roebben*  
Chief Executive Officer  
Member of the Board

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*Attila Gombás*  
Chief Financial Officer  
Member of the Board

# K&H BANK ZRT.

## SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### NOTES TO THE FINANCIAL STATEMENTS

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#### **NOTE 1 – GENERAL**

Kereskedelmi és Hitelbank Zártkörűen Működő Részvénytársaság ("K&H Bank Zrt." or "the Bank") is a limited liability company incorporated in Hungary. The Bank provide banking services through a nation-wide network of 190 branches. As at 31 December 2025 the Bank's registered office was at Lechner Ödön fasor 9, Budapest. Website: www.kh.hu.

The parent company of the Bank is KBC Bank N.V. The ultimate parent is KBC Group N.V.

Peter Roebben Chief Executive Officer (Budapest) and Attila Gombás Chief Financial Officer (Budapest) are obliged to sign these financial statements.

The Bank is required to have its accounts audited under applicable law.

Person in charge of accounting tasks: Paula Ecsedi (Budapest), registration number: 140573.

#### **NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION**

The material accounting policies adopted in the preparation of these financial statements are summarised below.

##### ***2.1 Basis of presentation***

The financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risk that are being hedged.

The Bank maintains its accounting records and prepares its statutory accounts in accordance with commercial banking and fiscal regulations prevailing in Hungary. The Bank's functional currency is the Hungarian Forint ("HUF"). All balances are presented in millions of Hungarian Forints ("MHUF") unless otherwise stated. The tables in this report may contain rounding differences.

The accounting policies are consistent with those applied in prior years except for changes in presentation explained in note 2.7.

##### ***2.1.1 Statement of compliance***

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The Bank prepares consolidated annual financial statements according to the same accounting framework as the separate annual financial statements. The Bank's separate and consolidated annual financial statements are approved and published on the same day.

##### ***2.2 Significant accounting judgements and estimates***

In the process of applying the Banks' accounting policies, Management has used its judgements and made estimates in determining the amounts recognized in the financial statements. The most significant use of judgements and estimates are as follows:

##### **Fair value of financial instruments**

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on principal market at the measurement date. Fair value is not the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale. An imbalance between supply and demand (e.g. fewer buyers than sellers, thereby forcing prices down) is not the same as a forced transaction or distress sale.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position can not be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives. For the sensitivity of the judgements used for fair value calculation see Note 18 and Note 42.3.

*Allowance for impairment of loans and advances, provision for contingent liabilities and commitments*

The impairment allowances of loans and advances and provision for contingent liabilities are determined based on the expected credit losses (ECL). Calculating ECL requires significant judgments on different aspects for example, but not limited to, the borrowers' financial position and repayment capabilities, the value and recoverability of collaterals, forward looking and macroeconomic information. The Bank applies neutral and free from bias approach when dealing with uncertainties and making decisions based on significant judgments.

The Bank regularly reviews its financial assets at amortised cost, financial assets valued at fair value through other comprehensive income and contingent liabilities and commitments to assess impairment and provision. The Bank applies its judgement on the basis of experience to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and where there is little available historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of amortised cost assets. Refer to Note 23 for further details and Note 42.4 for macro-economic forecast scenarios.

In cases when the historical loss experience is not able to capture all the specific risks expert-based calculation at portfolio level is performed via a management overlay.

*Provision for litigations and claims*

The amount of provision required to meet losses incurred as a result of litigations and claims is another principal area of estimation uncertainty in these financial statements. Refer to Note 31 for further details.

**2.3 Material accounting policies**

**2.3.1 Foreign currency translation**

The functional and presentational currency of the Bank is HUF. Monetary assets and liabilities denominated in foreign currencies are translated into HUF at exchange rates quoted by the Hungarian National Bank as at the date of the statement of financial position. Negative and positive exchange rate differences are recognized in the income statement. Exceptions to the above general rule are the cases when a monetary asset or liability is involved in a cash flow hedge relationship as a hedging instrument and in accordance with the hedging documentation the foreign exchange translation difference of the hedging instrument is recognized as other comprehensive income. Non-monetary items are translated into the functional currency at a historical exchange rate as at the date of transaction. Non-monetary items measured at FV through OCI, which are denominated in foreign currencies, are translated into HUF at exchange rates quoted by the Hungarian National Bank as at the date of the statement of financial position and recorded as foreign exchange differences in the income statement. Income and expenses arising in foreign currencies are converted at the rate of exchange on the transaction date. Resulting foreign exchange gains or losses are recorded in the income statement on line foreign exchange differences.

**2.3.2 Financial assets**

The Bank applies all the requirements of IFRS 9 as from 1 January 2018, except for the hedge accounting transactions which continued to be accounted for in accordance with IAS 39.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.3.2.1 Financial assets – recognition and derecognition**

**2.3.2.1.1 Recognition**

Financial assets and liabilities are recognised in the statement of financial position when the Bank becomes a party to the contractual provisions of the instruments. Regular-way purchases or sales of financial assets are recognised using settlement date accounting. All financial assets are measured initially at fair value plus transaction costs that are directly attributable to its acquisition; with the exception of financial assets measured at fair value through profit or loss.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Bank recognises the difference as follows:

- When the transaction price in a non-active market differs from the fair value of other observable market transactions in the same instrument or from the fair value based on a valuation technique whose variables include only data from observable markets, the difference between the transaction price and the fair value (day 1 profit/loss) is taken to profit or loss.
- If this is not the case (i.e. the variables do not include only data from observable markets), day 1 profit/loss is deferred and is released in profit or loss during the life and until the maturity of the financial instrument.

**2.3.2.1.2 Derecognition and modification**

The Bank derecognises a financial asset when the contractual cash flows from the asset expire or the Bank transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred.

In specific transactions like repurchase agreements and securities lending and borrowing the Bank assesses the transfer of the risks and rewards based on the applicable facts and circumstances and on the predetermined repurchase price. When this indicates that the Bank has retained substantially all risks and rewards then financial assets and liabilities are not derecognised but the relating consideration or financial assets received/paid are presented as separate financial liability/asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

**Repo and reverse repo agreements**

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the statement of financial position and are measured in accordance with accounting policies for trading securities or investment securities if the repurchase price is not fair value at the time of reacquisition. The counterparty liability for amounts received under these agreements is included in financial liabilities measured at amortised cost. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repo agreement. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the statement of financial position, as the Bank does not obtain control over the assets. Amounts paid under these agreements are included in financial assets at amortised cost. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repo agreement.

**Securities lending and borrowing**

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized on the statement of financial position, unless they are sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gain or losses included in Net gains / (losses) from financial instruments at fair value through profit or loss.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

When during the term of a financial asset there is a change in the terms and conditions, then the Bank assesses whether the new terms are substantially different to the original terms indicating that the rights to the cash flows of the initial instruments have expired. In case the conclusion is that the terms are substantially different then the transaction is accounted for as financial asset derecognition, which requires derecognising the existing financial asset and recognising a new financial asset based on the revised terms. Conversely, when the Bank assesses that the terms are not substantially different then the transaction is accounted for as financial asset modification.

***Renegotiated loans***

Where possible, the Bank seeks to renegotiate loans rather than to take possession of collateral.

The Bank considers a loan (receivable) renegotiated if the loan or credit arrangements are renegotiated, rescheduled (prolonged) and renegotiated upon the debtor's or the financial institution's initiative, within the framework of the amendment of the underlying contract, where the underlying contract is amended because of the considerable deterioration in the financial condition or solvency of the borrower, on account of which he is unable to meet the obligations of repayment as originally contracted. Such amendments result in significant changes in the terms and conditions of the underlying contract, bringing considerably more favourable terms for the client - by way of deviating from the market conditions pertaining to contracts of the same type bearing similar terms and conditions.

Before the modification, the Bank assesses whether a write-off should take place for the portion of assets as there is no reasonable expectation of recovering it. The assessment of the substantially different terms is made when loans to customers are renegotiated or otherwise modified. In considering the substantially different terms, the Bank evaluates whether:

- The borrower has changed;
- The loan has been partially written off because the Bank estimates that the part or entirety of the loan became irrecoverable;
- Changes made to a loan or loans of the same borrower resulted in refinancing or consolidation of the loans into a new loan;
- Due to significant financial difficulty of the borrower, the Bank has granted more than one concession;
- Substantial new terms have been introduced, such as profit share/equity-based return significantly modifying the risk profile of the loan;
- The nature of the interest rate or the reference rate has significantly changed;
- The currency of the contract has changed.

The amendments are representing, among others, the deferral of repayments (interest and/or principal) temporarily for a specific period (grace period), payment by instalments, modification of interest rates (for example repricing in the form of discount rates), capitalization of interest, changing the type of currency of denomination, extending the term of the loan, rescheduling instalment payments, reducing the level of collateralization or the level of security requested, or allowing other form of collateral or security, waiving the collateral or security requirement (non-collateralization), introducing new contract terms and conditions or eliminating certain existing terms and conditions. Furthermore a supplementary agreement or a new contract may be concluded between the debtor and the Bank, or between the borrower and an affiliate of the original lender, for a new loan for refinancing the debts (interest and principal) outstanding on account of the existing contract, or for undertaking additional commitments with a view to avoiding any further increase in risk exposure or to cutting losses, upon which the claims of the Bank (including the financial institution participating as the affiliate of the original lender) arising on account of the aforesaid supplementary agreement or new contract are also recognized as renegotiated loans (receivables).

The terms are considered as substantially different in any case if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial asset.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

The process of financial asset modification requires adjusting the carrying amount of the previously recognised financial asset in order to reflect the changed terms on the contractual cash flows. In doing that the Bank recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss. The carrying amount of the financial asset is recalculated as the present value of the estimated future cash payments through the expected life of the changed terms that are discounted at the financial asset's original effective interest rate. The change in the carrying amount resulting from a modification shall be presented in the income statement at the initial recognition of the modification gain or loss in such a way that the effect relating to transactions classified in Stage 1 from a credit risk perspective is recognised as part of net interest income, while the amount relating to transactions classified in Stage 2 or Stage 3 is recognised on a separate line as a modification gain or loss. The adjustment of the carrying amount shall be amortised over the remaining maturity of the affected transactions as part of interest income calculated using the effective interest rate method. Any costs or fees incurred as part of the modification shall adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Loans where the relevant contract had to be amended due to changes in market conditions are not considered as renegotiated loans (receivables), furthermore, where the parties agree in market conditions pertaining to similar agreements and where the solvency of the debtor is such as to ascertain his ability to comply with his ensuing contractual obligations.

If the renegotiation does not result in derecognition, the impact of modification will be presented as change in the assets' gross carrying amount. The effect of contract modification on gross carrying amount is presented in the profit or loss on line of modification losses on financial assets at amortized cost.

**Derecognition of renegotiated loans**

For derecognition of the renegotiated loans the Bank applies the following criteria. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial asset and the recognition of a new financial asset. A substantial modification of the terms of an existing financial asset or a part of it is accounted for as an extinguishment of the original financial asset and the recognition of a new financial asset.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the asset and are amortised over the remaining term of the modified asset.

**2.3.2.1.3 Write-offs**

A write-off is a direct reduction of the gross carrying amount of a financial asset when the Bank has no reasonable expectations of recovering the financial asset on its entirety or a portion thereof. A write-off constitutes a derecognition event.

Write-offs do not constitute a debt forgiveness and the Bank retains its legal enforceable rights towards the borrower until the official legal proceedings have concluded otherwise.

**2.3.2.2 Equity and debt instruments classification**

On initial recognition of a financial asset, the Bank first assesses the contractual terms of the instrument in order to classify it as an equity or debt instrument. An equity instrument is defined as any contract that evidences a residual interest in another entity's net assets. In order to satisfy this condition, the Bank reviews whether the instrument includes no contractual obligation for the issuer to deliver cash or exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

Any instruments which do not meet the criteria of equity instruments are classified as debt instruments by the Bank.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.3.2.2.1 Classification and measurement – debt instruments**

When the Bank concludes that the financial asset is a debt instrument then on initial recognition, it can be categorised in one of the following categories:

- Mandatorily measured at fair value through profit or loss (FVPL);
- Designated at initial recognition at fair value through profit or loss (FVO);
- Fair value through other comprehensive income (FVOCI);
- Amortised cost (AC)

Debt instruments have to be classified in the FVPL category when (i) they are not held in business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets or alternatively (ii) they are held in such business model but the contractual terms of the instrument give rise on specified dates to cash flows that are not solely payments of principal and interest on the principal amount outstanding.

Further, the Bank may in some cases, on initial recognition, irrevocably designate a financial asset that otherwise meets the requirements to be measured at AC or at FVOCI as at fair value (FVO) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVO:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at AC only if it meets both of the following conditions and is not designated as at FVO:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows;
- and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**2.3.2.2.2 Business model assessment**

The business model assessment is relevant for debt instruments to assess whether they are allowed to be measured at AC and FVOCI. In performing the assessment, the Bank reviews the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to key management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or whose performance is evaluated on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

***2.3.2.2.3 Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

***2.3.2.2.4 Reclassification***

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets which could occur when the Bank begins or ceases to perform an activity that is significant to its operations (e.g.: when the Bank acquires, disposes of, or terminates a business line). The reclassification takes place from the start of the first reporting period following the change.

***2.3.2.2.5 Classification and measurement – Equity instruments***

Financial equity instruments are categorised in one of the following categories:

- Mandatorily measured at fair value through profit or loss (FVPL);
- Equity instruments elected for fair value through other comprehensive income (FVOCI).

For investments in subsidiaries and affiliated undertakings the rules defined in Section "Participations" apply.

In the banking activity all equity instruments is included in the FVOCI category when the investment is not held for trading. This is a specific designation that is be made on a case-by-case basis, applicable to strategic investments. The election to include equity instruments in the FVOCI category is irrevocable on initial recognition and can be done on an investment-by-investment basis which is interpreted by the Bank as share-by-share basis. Equity categorised in the FVOCI category is subsequently measured at fair value with all changes recognised in other comprehensive income and without any recycling into the income statement even when the investments is disposed. The only exception applies to the dividend income which are recognised in the income statement.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.3.2.2.6 Classification and measurement - Derivatives**

The Bank can recognise derivative instruments either for trading purpose or as hedging derivatives. Derivatives can have asset or liability positions depending on their actual market value.

*Trading derivatives*

Derivative instruments are always measured at fair value and the Bank makes a distinction as follows:

- Derivatives that are held with a hedging intent but for which hedge accounting can not be or is not applied (economic hedge): hedging instruments can be acquired with the intention of economically hedging an external exposure but without the application of hedge accounting. The interest component of these derivatives is recognised under 'Net interest income', while all other fair value changes are recognised under 'Net result from financial instruments at fair value through profit or loss'.
- Derivatives held without hedging intent (trading derivative): the Bank can also enter into a derivative position without any intention to hedge economically a position. Such activity can relate to closing / selling an external position in the near term or for short-term profit taking purposes. All fair value changes on such derivatives are recognised under 'Net result from financial instruments at fair value through profit or loss'.

*Hedging derivatives*

Hedging derivatives are derivatives which are specifically designated in a hedge relationship. The accounting process of such derivatives are detailed in the section "Hedge Accounting".

**2.3.2.3 Fair value hierarchy of financial instruments**

The fair value measurements are classified into the levels of fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1	quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3	inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

A fair value adjustment related to the unobservable input is considered to be material for the Bank if this fair value adjustment makes up at least 5% of the nominal exposure of the underlying portfolio.

The amount of the fair value which is calculated on transaction level is adjusted (MVA - Market Value Adjustment) by the Bank taking into account the elements listed below. The adjustment according to the following elements is calculated by instrument / transaction types or on customer level:

- close-out cost of the transactions,
- funding value adjustment,
- illiquidity of the markets,
- counterparty risk.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

*Changes to the fair value classification*

The classification of a financial instrument into the fair value hierarchy is not static. Financial instruments can shift between different fair value levels for various reasons, for instance:

- Market changes: The market can become inactive. As a result, previously observable parameters can become unobservable (possible shift from level 1 to level 2 or 3);
- Model changes: The application of a new refined model that takes more observable input factors into account or reduces the fair value impact of unobservable inputs (possible shift from level 3 to level 2);
- Change in sensitivity: The sensitivity of a valuation input to the entire fair value may change over time. An unobservable input that used to be significant to the entire fair value measurement may become insignificant (or vice versa). The fair value classification in the hierarchy would consequently change from level 3 to level 2 (or vice versa).

Defining the fair value classification of a financial instrument can only be made taking into account changing market circumstances, upgraded models and the sensitivity of the valuation inputs. With this regard, the fair value classification per instrument/portfolio is reassessed by the Bank on a regular basis. The Bank recognises transfers between levels of the fair value hierarchy at the date the event or change in circumstances occurred.

**2.3.3 Financial assets - Impairment**

**2.3.3.1 Definition of default**

The Bank uses the definition for defaulted financial assets which is used for internal risk management purposes and it is in line with guidance and standards of the financial industry regulators. A financial asset is considered as defaulted if one or more of the following conditions are fulfilled:

- The asset is flagged as non-accrual
- The asset is flagged as high risk forborne in line with the internal policies for forbearance specified as stage 3 forborne
- Liquidation proceedings have been initiated against the client
- The counterparty has filed for bankruptcy or sought similar protection measures.
- The credit facility towards the customer is terminated, due to decline in credit worthiness.

The Bank applies a backstop for facilities that have at least 90 days past due status. In this context a backstop is used as a final control to ensure that all the assets that should have been designated as defaulted, are properly identified.

**2.3.3.2 Expected credit loss model**

The model for impairment of financial assets is called the Expected Credit Loss model (ECL). The scope of the ECL model is based on the classification of financial assets. The ECL model is applicable to the following financial assets:

- Financial assets measured at amortised cost;
- Debt instruments measured at fair value through the other comprehensive income;
- Loan commitments and financial guarantees;
- Finance lease receivables; and
- Trade and other receivables.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

No ECL are calculated for equity investments. Financial assets that are in scope for the ECL carry an amount of impairments equal to the life-time ECL if the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance equals to an amount of 12 month ECL (see below for the references to the significant increase in credit risk).

To distinguish between the different stages with regards the amount of ECL, the Bank uses the internationally accepted terminology for stage 1, stage 2 and stage 3 financial assets.

All financial assets at initial recognition, unless they are already credit impaired, are classified at stage 1 and carry 12 month ECL. Once a significant increase in credit risk since initial recognition occurs, the asset migrates to stage 2 and carries life-time ECL. Once an asset meets the definition of default it migrates to stage 3.

IFRS 9 allows for a practical expedient for leasing and trade receivables. The ECL for trade receivable are measured in an amount equal to the life-time ECL. The Bank applies this practical expedient for trade receivables.

Impairment gains and losses on financial assets are recognised under the heading “Impairments” in the income statement.

Financial assets that are measured at amortised cost are presented on the statement of financial position at their carrying amount being the gross carrying amount minus loss allowances. Debt instruments measured at fair value through other comprehensive income are presented on the statement of financial position at their carrying amount being the fair value at the reporting date. The adjustment for the ECL is recognised as a reclassification adjustment between the income statement and the other comprehensive income. For loan commitments and financial guarantees a provision for ECL is recognized as liability.

**2.3.3.3 Significant increase in credit risk since initial recognition**

In accordance to the ECL model, a financial assets attracts life-time ECL once the credit risk has increased significantly since initial recognition; therefore the assessment of the significant increase in credit risk defines the staging of financial assets. The assessment of a significant increase in credit risk is a relative assessment based on the credit risk that was assigned at initial recognition. This is a multi-factor assessment, and, thus the Bank has developed a multi-tier approach (MTA).

**2.3.3.3.1 Multi-Tier Approach – Bond portfolio**

For the bond portfolio the MTA consists of three tiers:

- Low credit exception: Bonds always carry 12-months ECL if they have a low credit risk at the reporting date (i.e. stage 1). The Bank uses the low credit risk exception for bonds which are graded as investment grade (BB+ and above) based on internal rating.
- Internal rating: only applicable if the first tier is not met. This is a relative assessment comparing the Probability of Default (PD) at initial recognition to the PD at the reporting date. The Bank makes the assessment on a facility level at each reporting period.
- Management assessment: Finally management reviews and assesses the significant increase in credit risk for financial assets at an individual and a portfolio level.

If none of these triggers results in a migration to stage 2, then the bond remains in stage 1. A financial asset is considered impaired (i.e. stage 3) as soon as it meets the definition of default. The MTA is symmetrical, i.e. a credit that has migrated to stage 2 or 3 can return to stage 2 or 1 if the Tier that triggered the migration is not present in a subsequent reporting date.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.3.3.3.2 Multi-tier approach – Loan portfolio**

For the loan portfolio the Bank uses a five-tier approach. This MTA is a waterfall approach, i.e. if after assessing the first Tier, doesn't result in migrating to stage 2, then the second Tier is assessed and so on. At the end, if all Tiers are being assessed without triggering a migrations to stage 2, then the financial asset remains in stage 1.

- Lifetime probability of default (LTPD): the LTPD is used as the main criterion for assessing the increase in credit risk. This is a relative assessment comparing the LTPD at initial recognition to the LTPD at the reporting date. The Bank makes the assessment on a facility level at each reporting period.
- Forbearance: Forborne financial assets are always considered as stage 2 unless they are already impaired. In the latter case, they migrate to stage 3.
- Days past due: the Bank uses the backstop described in the standard. A financial asset that has more than 30 days past due, migrates to stage 2.
- Watch list: the watch list includes clients with an increased credit risk but not (yet) classified as non-performing, and thus the Bank monitors the exposures concerned closely.
- Management assessment: Finally, management reviews and assesses the significant increase in credit risk for financial assets at an individual and a portfolio level.

A financial asset is considered impaired (i.e. stage 3) as soon as it meets the definition of default. The MTA is symmetrical, i.e. a credit that has migrated to stage 2 or 3 can return to stage 2 or 1 if the Tier that triggered the migration is not met at the reporting date.

**2.3.3.4 Measurement of ECL**

The ECL is calculated as the product of the probability of default (PD), the estimated exposure at default (EAD) and the loss given default (LGD).

The ECL are calculated in a way that reflect:

- an unbiased, probability weighted amount;
- the time value of money; and
- information about the past events, current conditions and forecast economic conditions.

The life-time ECL represents the sum of the ECL over the life time of the financial asset discounted at the original effective interest. The 12 months ECL represent the portion of the life time ECL that results from a default in 12-month period after the reporting date.

The Bank uses specific IFRS 9 models for PD, EAD and LGD to calculate ECL. To the extent possible the Bank uses similar modelling techniques that have been developed for prudential purposes (i.e. Basel models) for efficiency purposes. Having said that, the Bank ensures that the Basel models are adapted to be in compliance with IFRS 9, for example:

- the Bank removes the conservatism which is required by the regulator for Basel models
- the Bank adjusts the way that macroeconomic parameters affect the outcome to ensure that the IFRS 9 models reflect a "point-in-time" rather than "through-the-cycle" estimate (the latter is required by the regulator).
- the Bank applies forward looking macroeconomic information in the models.

The Bank also considers three different forward looking macro-economic scenarios with different weights in the calculation of ECL (see Note 42.4). The base case macro-economic scenario represents the Bank's estimations for the most probable outcome and it also serves as a primary input for other internal and external purposes.

The maximum period for measurement of the ECL is the maximum contractual period (including extensions) with the exception of specific financial assets which include a drawn and an undrawn amount available on demand which is not limited the exposure to the contractual period. Only for such assets a measurement period can extend beyond the contractual period.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.3.3.5 Purchased or originated credit impaired (POCI)**

The Bank defines POCI assets as financial assets in scope of the IFRS 9 impairment which at origination are already defaulted (i.e. meet the definition of default).

POCI assets are recognised initially at an amount net of impairments and are measured at amortised cost using a credit adjusted effective interest rate. In subsequent period any changes to the estimated lifetime ECL are recognised in the income statement. Favourable changes are recognised as an impairment gain even if the lifetime ECL at the reporting date is lower than the estimated lifetime ECL at origination.

**2.3.4 Cash, cash balances with central banks and other demand deposits**

Cash comprises cash on hand and demand deposits, e.g. cheques, petty cash and central bank balances as well as other bank balances. For the purposes of reporting cash flows, cash and cash equivalents comprise balances with an original maturity less than 90 days, including cash, balances due from banks and balances with the Hungarian National Bank (including obligatory reserves) decreased with deposits from banks repayable on demand.

**2.3.5 Financial liabilities**

Financial instruments or their component parts are classified as liabilities or as equity in accordance with the substance of the contractual arrangements on initial recognition and the definitions of financial liabilities and equity instruments. A financial instrument is classified as a liability if:

- the Bank has a contractual obligation to deliver cash or another financial asset to the holder or to exchange another financial instrument with the holder under conditions that are potentially unfavourable to the Bank; or
- the Bank has a contractual obligation to settle the financial instrument in a variable number of its own equity instruments.

A financial instrument is classified as an equity instrument if both of the conditions are not met and in that case is covered under the section "Equity".

**2.3.5.1 Financial liabilities – recognition and derecognition**

The Bank recognises a financial liability when it becomes a party to the contractual provisions of the instrument which is typically the date when the consideration received in the form of cash or other financial asset has been received. At initial recognition the financial liability is recognised at fair value and less transaction costs that are directly attributable to its issuance, except for financial liabilities at fair value through profit or loss.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires. The Bank can also derecognise the financial liability and recognise a new one when there is an exchange between the Bank and the lenders of the financial liability with substantially different terms, as well as substantial modifications of the terms of the existing financial liabilities. In assessing whether terms are different, the Bank compares the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, and the discounted present value of the remaining cash flows of the original financial liability. If the difference is at least 10% or more then the Bank derecognises the original financial liabilities and recognises a new one. When the exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

***Financial liabilities held for trading***

Held-for-trading liabilities are those incurred principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. A liability also qualifies as a trading liability if it belongs to a portfolio of financial instruments held for trading separately by the trading desk and for which there is a recent pattern of short-term profit-taking.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Trading liabilities can include derivative liabilities, short positions in debt and equity instruments, term deposits and debt certificates. In connection with derivative liabilities the Bank makes similarly distinction between trading and hedging derivatives as in case for derivative assets.

Initially, held-for-trading liabilities are measured at fair value. At the end of the reporting date, trading liabilities are measured at fair value. Fair value adjustments are always recorded in the income statement.

*Financial liabilities upon initial recognition designated by the entity at fair value through profit or loss*

IFRS 9 allows measuring a (group of) financial liability(s) on initial recognition at fair value, whereby fair value changes are recognized in profit or loss except for fair value changes related to the changes in own credit risk which are presented separately in OCI. The fair value designation is used by the Bank for the following reasons:

- the Bank designates a financial liability or group of financial liabilities at fair value when these are managed and their performance are evaluated on a fair value basis.
- Fair value option can be used when the use eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.
- A financial instrument is regarded as a hybrid instrument when it contains one or more embedded derivatives that are not closely related to the host contract. The fair value option can be used when it is not possible to separate the non-closely related embedded derivative from the host contract and then the entire hybrid instrument can be designated at fair value. This results that both the embedded derivative and the host contract are measured at fair value. the Bank uses this option when, for example, structured products contain non closely related embedded derivatives, in which case both the host contract and the embedded derivative are measured at fair value.

*Financial liabilities measured at amortised cost*

The Bank classifies most of its financial liabilities under this category, also those used to fund trading activities, when the trading intent is not present in the financial liabilities (e.g.: issued bonds). These financial liabilities are initially measured at cost, which is the fair value of the consideration received including transaction costs. Subsequently they are measured at amortised cost, which is the amount at which the funding liability was initially recognised minus principal repayments and plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount. The difference between the amount made available and the nominal value is recorded on an accruals basis as an interest expense. Interest expenses accrued, but not yet paid, are recorded under accruals and deferrals.

**2.3.5.2 Financial liabilities – own credit risk**

For financial liabilities designated at fair value, IFRS 9 requires measuring the financial liability on initial recognition at fair value. Thereafter fair value changes are recognized in the income statement, except for fair value changes related to the changes in own credit risk which are presented separately in OCI.

Accordingly, the fair value movement of the liability is presented in different parts: changes in own credit risk are presented in OCI and all other fair value changes are presented in the income statement under the line item “Net result from financial instruments at fair value through profit or loss”. The amounts recognized in OCI relating to the own credit risk are not recycled to the income statement even when the liability is derecognized and the amounts are realized. Although recycling is prohibited, the Bank transfers the amounts in OCI to other reserves within equity at derecognition. The only situation when the presentation of the own credit risk in OCI is not applied when this would create an accounting mismatch in the income statement.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.3.5.3 Financial liability – financial guarantee contract**

A financial guarantee contract is a contract that requires the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Such a contract is initially recognised at fair value and is subsequently measured at the higher of

- the amount determined in accordance with impairment provisions of IFRS 9 (see section “Financial Assets – Impairment”) and
- the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition principle of IFRS 15.

**2.3.6 Offsetting**

The Bank offsets and presents only a net amount in the statement of financial position of a financial asset and financial liability when and only when it has currently a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**2.3.7 Hedge accounting**

The Bank applies IAS 39 the EU carve-out version to hedge accounting.

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction.

At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed regularly. The frequency is defined in the hedging document. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Bank assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

*Fair value micro hedging:* In relation to fair value hedges which meet the conditions for hedge accounting, any gains or losses from the changes in fair value of the derivative are recognized immediately in the income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk. Accrued interest income/expense from interest rate swaps is recognized in net interest and similar income/expense. If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then the hedge accounting is discontinued prospectively. Any adjustment up to the point of discontinuation that is made to a hedged item is amortised to the income statement over its remaining life or recognized directly when the hedged item is derecognized.

*Fair value macro hedging:* a group of derivatives can be viewed in combination and jointly designated as a hedging instrument. The Bank uses interest rate swaps to hedge the interest rate risk for a portfolio of financial instruments (loans, deposits, securities). Interest rate swaps are measured at fair value, with fair-value changes being reported in the income statement. Accrued interest income/expense from interest rate swaps is recognized in net interest and similar income/expense. The hedged amount of loans is measured in fair value as well, with fair value changes being reported in the income statement. When a hedging relationship is terminated, the cumulative fair value change in the hedged amount will be amortised to the income statement over the remaining lifetime of the hedged assets or will be immediately removed from the statement of financial position if ineffectiveness is due to derecognition of the corresponding loans.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

*Cash flow hedges:* In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in the other comprehensive income in the cash flow hedge reserve. Any ineffective portion of changes in the fair value of a derivative is immediately recognized in the income statement. The amount recognized in OCI is reclassified to the income statement as a reclassification adjustment in the same period as the hedged cash flows affect the income statement. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, the cumulative gain or loss on a cash flow hedge recognized in the other comprehensive income remains in the other comprehensive income until the forecasted transaction occurs, when it is then transferred to the income statement for the period.

For hedges which do not qualify for hedge accounting and trading derivatives, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the income statement for the period.

**2.3.8 Participations**

In the separate financial statement of the Bank, participations in subsidiaries and affiliated undertakings are measured at cost based on IAS 27, reduced by impairment determined in accordance with IAS 36. The carrying amount of other equity instruments with participating nature is determined in accordance with IFRS 9, such equity instruments are measured at fair value and impairment is not applied.

The Bank considers a participation in a subsidiary or in affiliated undertakings impaired, if there is a significant and permanent decrease in the fair value (and therefore the value of the participation decreases under the purchase value), or there is any objective evidence that the participation is impaired. Determining “Significant” and „permanent” requires a decision. „Significant” means generally 15% or more and “permanent” means more than 1 year.

**2.3.9 Leasing**

**2.3.9.1 The Bank, as a lessee**

On initial recognition the Bank recognises a right-of-use (ROU) asset and a lease liability which are both measured - in most cases - at the present value of the lease payments. The ROU asset will be recognized in the Bank's statement of financial position similarly as to where the leased assets would be recognized if it were subject to a finance lease. The lease liability will be recognized as “Financial liabilities at amortised cost – other liabilities”.

The ROU asset is measured at cost, less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. The depreciation requirements follow IAS 16, the impairment requirements follow IAS 36. The lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Bank recognises a financial cost on the lease. The cost represents the unwinding of the discount rate of the lease. The Bank uses the incremental borrowing rate for discounting the lease payments when and if the rate implicit in the lease is not readily determinable.

The lease term is determined as the non-cancellable period of the lease, taking into account the periods covered by an option to extend or terminate the lease. For assessing these options, the Bank uses all economic facts and circumstances, including the factors listed in IFRS 16 B37 to determine the lease term.

The lease liability is remeasured when there is a lease modification or a reassessment such as an indexation of the rent payment or at the reassessment of the lease term. The lease liability shall be remeasured using a revised discount rate, whereby the revised rate is determined at the date of the remeasurement in case of a change in the lease term. The remeasurement shall occur when there are changes to the lease term or in case of other

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

reassessments. The lease liability shall be remeasured using an unchanged discount rate when there are change in index or rate affecting payments.

The Bank opts to apply the following practical expedients foreseen in the standard: the Bank applies a single discount rate to a portfolio of leases with reasonably similar characteristics ('portfolio approach'). The Bank applies the recognition exemption for both leases with a low value (< 5.000 EUR recalculated at current HUF exchange rate) and short-term leases (< 12 months). The Bank does not recognise contracts of intangibles as leasing agreement.

IFRS 16 requires that an lease should be recorded in the lessee's balance sheet both as an asset and as an obligation to pay future rentals. The derecognition requirements for finance lease liabilities are based on IFRS 9 rules.

At the commencement of the lease term, the sum to be recognised both as an asset and as a liability is the present value of the minimum lease payments each determined at the inception of the lease. In calculating the present value of the minimum lease payments, the discount factor is the lessee's incremental borrowing rate. Any initial direct costs of the lessee are added to the amount recognised as an asset.

**2.3.9.2 The Bank, as a lessor**

All leases need to be classified as either finance leases or operating leases. The classification under IFRS 16 is based on the extent to which risk and rewards incidental to ownership of leased assets lie with the lessor or the lessee. A finance lease transfers substantially all the risks and rewards incidental to ownership of an asset.

The amount due from the lessee under a finance lease is recognised in the Bank's statement of financial position as claims from customers at an amount equal to the Bank's net investment in the lease in the financial statement line item of financial assets at amortised cost. Over the lease term, rentals are apportioned between a reduction in the net investment in the lease and income. The net investment in a lease is its gross investment in the lease discounted at the interest rate implicit in the lease. The gross investment in the lease is equal to the minimum lease payments plus any unguaranteed residual accruing to the lessor.

During the lease term, the net investment in the lease will represent the remaining minimum lease payments, less that part of the minimum lease payments that is attributable to future gross earnings (i.e. interest) and it will also include the unguaranteed residual value. The unguaranteed residual value, which is expected to be small in a finance lease (even in a property lease), represent the amount the lessor expects to recover from the value of the leased asset at the end of the lease term that is not guaranteed in any way by either the lessee or third parties.

The requirements on subsequent measurement are based on IFRS 16, but for the impairment and derecognition of finance lease assets IFRS 9 rules must be applied.

Assets subject to operating leases are included in bank premises and equipment in the statement of financial position and lease payments received are presented as income in the income statement. When the Bank provides lease incentive to the lessee, the aggregate cost of incentives are treated as a reduction of rental income over the lease term.

In case of financing the purchase of a vehicle or other equipment, the main collateral is the vehicle or the other equipment, on which the Bank has got the right to buy. When the contract is extraordinarily terminated the assets received in the debt settlement are measured at the lower of cost and net realisable value which is defined as the fair value of the vehicle or other equipment. If the carrying amount of the received asset differs from the value defined at the subsequent valuation of the asset then impairment is accounted for or the formerly booked impairment is fully or partially released.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

***2.3.10 Equity (Reserves)***

Reserves in the financial statements of the Bank contains the following:

- In Other Comprehensive Income
  - revaluation reserve of financial instruments measured through other comprehensive income, where the fair value changes of FVOCI financial instruments are recognised.
  - accumulated amount of financial liabilities designated at fair value through profit or loss that is attributable only to the own credit changes of the Bank
  - hedging reserve, which is the gain or loss on the hedging instrument included in a cash flow hedge that is determined to be an effective hedge.
  - remeasurement of defined benefit plans: the actuarial gains and losses recognised as remeasurements of the net defined benefit (e.g. effect of change in yield curves applied for estimating or discounting, or changes in tax rates related to the benefit)
- Statutory risk reserve which is set aside as 10% of the profit calculated in accordance with Hungarian Accounting Regulations for use against future losses.
- Share premium which is the excess amount received by the Bank over the par value of its shares at the time of capital increase.

***2.3.11 Dividend on ordinary shares***

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

***2.3.12 Share based payment transactions***

A number of employees of the Bank receive remuneration in the form of share based payment transactions. They are granted share appreciation rights, which can only be settled in cash (“cash-settled transactions”). The cost of cash-settled transactions is measured at fair value at the grant date, using the KBC share price determining the fair value. The value of the share based payment is expensed in the year of the remunerated performance considering the vesting period with recognition of a corresponding liability. The liability is valued at the closing price of the underlying share at the end of the period. The liability is released at the date of pay-out.

***2.3.13 Investment property***

Investment property is defined as a real estate property either built, purchased or acquired under a finance lease by the Bank, which is held to earn rentals or capital appreciations rather than used by the Bank for the supply of services or for administrative purposes.

The Bank subsequently measures investment property at initial cost minus accumulated depreciation and impairment losses.

Depreciation is provided on a straight-line basis during the useful life of the asset. The useful life of investment property is generally 33 years, except if the consideration of certain special circumstances results different useful lifetime.

***2.3.14 Property and equipment***

Property and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period. An item of property and equipment is recognized as an asset only when it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably.

The Bank considers movables as tangible asset only above HUF 100,000 initial cost. Items under this amount – including decorative elements, art works with low value – are accounted for as material cost.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Property and equipment is initially measured at cost. Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction.

After initial recognition subsequent cost can increase the carrying amount of an asset or can be recognized as a separate asset, if it is probable that future economic benefits associated with the asset will flow to the Bank and the cost can be measured reliably. The carrying amount of replaced components are derecognized. Repairs and maintenance are charged to the income statement as incurred.

In case of compound assets, main components of these can differ regarding the economic characteristics. In this case the initial cost is divided among main components. Useful life, residual value and depreciation method is determined individually for every main components.

The subsequent measurement of property and equipment is based on the cost model, i.e. property and equipment are carried at initial cost less accumulated depreciation and any accumulated impairment losses.

Every part of property and equipment, which represents significant value compared to the total initial cost of the asset is depreciated separately. Depreciation is calculated on a straight-line basis under the estimated useful life of the asset. Land, art works have unlimited useful lives, therefore are not depreciated.

The estimated useful lives of property and equipment are the following:

Buildings (including leasehold rights, and leasehold improvements)	10-50 years
Right-of-use assets (leases)	3-20 years
IT and office equipments (including system software)	3-7 years
Other	10-50 years

System software (operating systems) are initial software linked to the purchase of hardware, without whose installation the hardware will not function or operate. Such software regulates the internal operation of the computer and ensures communication with the configuration or the network, and thus includes operating systems, support software and compilers, therefore system software forms an integral part of related hardware.

The Bank prepares reassessment for the useful lives and the residual values at least on a yearly basis.

Leasehold rights are mainly right-of-use assets in connection with IFRS 16 Leases standard. For further details see Note 2.3.9. Leasing.

**2.3.15 Intangible assets**

An intangible asset shall be recognised if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Intangible assets can have a finite or indefinite useful life. The Bank owns intangible assets with finite useful life.

Intangible assets with finite lives are amortised over the useful economic life; the amortisation expense is recorded as operating expense in the income statement. The impairment assessment of intangible assets with finite lives is the same as tangible assets. Intangible assets with finite lives have no residual value, as the Bank does not intend to dispose the intangible assets before their economic useful lives.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

The subsequent measurement of intangible assets is based on the cost model i.e. are carried at initial cost less accumulated amortisation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis under the estimated useful life of the asset:

Standard software and other intangibles	5 years
Core banking software	8-15 years

On a discretionary basis the accounting policy leaves room to use an extended useful life estimation for selected core systems compared to the general rules explained above if it is economically justified.

Core banking systems are software handling back-end data processing applications for processing all transactions that have occurred during the day and posting updated data on account balances to the mainframe. Core systems typically include deposit account processing, loan and credit processing, interfaces to the general ledger and reporting tools.

The Bank owns purchased trademarks, the depreciation is based on the useful life determined in the purchase agreement.

**2.3.16 Impairment of non-financial assets**

When the Bank prepares financial statements it ensures that the carrying amount of the non-financial asset does not exceed the amount what could be obtained from either using or selling it (“recoverable amount”). Property and equipment, investment property and software are subject to the impairment review only when an objective evidence of impairment indicator exists. The Bank reviews at least annually whether there are any indicators of impairment.

When an impairment indicator is present, or the impairment test of an asset must be prepared, the Bank estimates the asset’s recoverable amount. The recoverable amount is defined as the higher of fair value less cost to sell or the value in use, determined individually by assets, except if the economic benefits realized on the asset can not be separated from economic benefits realized on other assets or group of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

**2.3.17 Contingent liabilities**

In the ordinary course of its business, the Bank enters into off-statement of financial position commitments such as guarantees, commitments to extend credit, letters of credit, warranties and transactions with financial instruments. These commitments are recorded in the financial statements if and when they become payable.

To determine the allowance for losses on contingent liabilities the Bank uses the Expected Credit Loss model (ECL) (for details see Note 2.3.3 Financial assets – Impairment).

**2.3.18 Provisions**

Provisions are recognised at the reporting date if and only if there is a present obligation (legal or constructive) due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the timing effect is material, the amount recognised as a provision is the net present value of the best estimate.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Any compensation that arises in relation to provisions for operational losses from claims and legal disputes regarding commercial activity are presented in other income / (expense) when they become virtually certain.

When it is virtually certain that another party will repay the expenditure of the provisions, the reimbursement is treated as a separate asset.

**2.3.19 Revenue recognition**

**2.3.19.1 Net interest and similar income**

Net Interest Income falls under the scope of IFRS 9. Interest income and expense are calculated and recognised based on the effective interest rate method, or, if considered appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using the effective interest rate method as basis for the calculation. The effective interest includes fees considered to be part of the effective interest rate of a financial instrument (generally fees received as compensation for risk or origination fees). Prepayment fees are also presented as interest income.

Interest income calculated using effective interest method is presented as a separate line item on the face of the income statement. Interest income related to assets held for trading, mandatorily at fair value through profit or loss and hedging derivatives are presented in a separate line item as “other similar income”.

Interest income and expenses from financial instruments are, with the exceptions described below classified as “Net Interest Income”.

For financial assets measured at amortised cost or debt instruments measured at fair value through other comprehensive income, the calculation of the interest income depends on the stage of the asset used in the calculation of ECL. For assets that are in stage 1 and stage 2 the interest recognition is based on the gross carrying amount while for assets in stage 3 and POCI on the carrying amount. The gross carrying amount of a financial asset is defined as the amortised cost before adjusting for any loss allowance.

**2.3.19.2 Net fee and commission income**

The Bank presents the revenue of different transaction under this line item. Most of these fall under the scope of IFRS 15 Revenue from Contracts with Customers as they cover services and goods provided by the Bank to its customers while certain transactions reported under Commitment credit are accounted for under IFRS 9. The revenue recognised on these transactions reflect the amount of consideration to which it expects to be entitled in exchange for transferring goods or service to the customers. For the recognition of revenue the Bank needs to identify the contract and define what the promises are (performance obligations) in the transaction. Thereafter the transaction price is calculated and allocated to all performance obligations identified in the contract. Revenue is recognised only when the Bank has satisfied the performance obligation.

The revenue from fiduciary and trading services falls under the scope of IFRS 15. These transactions are straightforward because the Bank provides series of distinct services which is consumed by the customer simultaneously when the benefits are provided. The Bank is remunerated after executed transactions or on a timely basis, the fee is determined as a fixed amount or a percentage. The fee arrangements do not include variable compensation and revenue is estimated and recognised straightforward. Due to the nature of the promises the Bank recognises these revenues at that point in time or over time.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Commitment credit represents revenue on fees received from lending and financial leasing business that are not considered as part of the Effective Interest Rate and consequently, have to be recognised under the scope of IFRS 15, except for financial guarantees which are accounted for in accordance with IFRS 9. This includes typically credit-related fees like loan administration fees or fees charged as prepayment fees. The Bank also recognises fees received for the issuance of guarantees, letters of credit, standby credit agreement and similar transactions. It also includes fees charged to companies with specific financing needs requiring integrated or highly complex structure. The terms applied by the Bank on these revenue do not contain complex arrangements and relates to a certain percentage of the transaction and variability is limited. The terms of the provided services are straightforward and are recognised in general at the point when the actual service has been performed or transferred to the customer except for financial guarantees for which the received fees are treated as income and recognised in general over time until expiry of the guarantee.

Fee income also contains fees related to payment services whereby the Bank charges the customer for different transactions linked with its current accounts, domestic or foreign payments, payment services through ATM, etc. These services are mainly completed when the actual transaction is executed therefore the relating consideration can be recognised directly at that point in time.

**2.3.20 Employee benefits**

**2.3.20.1 Short-term employee benefits**

Short-term employee benefits, such as salaries, paid absences, performance-based cash awards and social security costs are recognised over the period in which the employees provide the related services. The relating expenses are presented under the income statement as Staff expenses.

**2.3.20.2 Post-employment benefits**

A number of employees of the Bank receive post-employment benefits in the form of defined benefit plans. The defined benefit plan belongs to post-employment benefits. The components of the benefit costs related to the program are recorded as follows in the financial statements:

- vested benefits and costs arising from the change of the program's conditions as personal expenses in the income statement
- interest expenses related to the defined benefit plan as interest and similar expense in the income statement
- the revaluation of the defined benefit plan (e.g. impact of change of the curves used to the estimation and discount calculation or change of the tax rate related to the benefit) in other comprehensive income.

**2.3.21 Government grants**

Government grants are assistance by government in the form of transfers of resources to the Bank in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants are recognised when there is a reasonable assurance that the grant will be received and the conditions attached to it will be met. The grants are recognised in the income statement in a systematic basis to match the way that the Bank recognises the expenses for which the grants are intended to compensate.

Government grants related to assets, including non-monetary grants at fair value, shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. The Bank applies the deferred income (gross) presentation method.

**2.3.22 Levies**

Public authorities could impose different levies on the Bank. The amount of the levies can be dependent on the amount of revenue (mainly interest) generated by the Bank, on the amount of deposits accepted from customers, on the total balance sheet volume with corrections based on some specific ratio's. Levies are recognised, in accordance with IFRIC 21, when the obligating event that gives rise to the recognition of the liability, as stated in the relevant legislation, has occurred. Depending on the obligating event, levies can be recognised at one point or over time. The majority of the levies imposed on the Bank have to be recognised at one point, which occurs mainly at the beginning of the financial year. The Bank recognises the levies as part of Operating Expenses (See Note 2.5).

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**2.3.23 Income tax**

Income tax consists of two elements: current year's taxes paid/payable and changes in deferred tax assets/liabilities. Income tax is accounted for either in the income statement or in the Other Comprehensive Income depending on where the items that triggered the tax are accounted for. Income taxes that are initially accounted for in the Other Comprehensive Income and that relate to gains/losses that are subsequently recognised in the income statement, are recycled in the income statement in the same period that the item is accounted for in the income statement. Current taxation is provided for in accordance with the fiscal regulations of Hungary.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

Deferred and current tax assets and liabilities are offset only if the Bank has a legally enforceable right to set off, and the Bank intend to settle them on a net basis or to realize the assets and settle the liabilities simultaneously

**2.3.24 Non-current assets held-for-sale, liabilities associated with disposal groups**

Non-current assets or group of assets and liabilities held for sale are those for which the Bank will recover the carrying amount from a sale transaction that is expected to qualify as a sale within a year, instead of through continuing use.

In line with IFRS 5 standard the Bank presents a non-current assets as Non-current asset or disposal group comprising assets and liabilities as held-for-sale only if it is available for immediate sale in its present condition and the sale of the asset is highly probable.

The Bank measures a non-current asset or disposal group classified as held for sale at the lower of carrying amount or fair value less cost to sell.

Non-current assets held for sale and liabilities held for sale are reported separately from the other assets and liabilities in the statement of financial position at the end of the reporting date.

Non-current assets held for sale (disposals groups) are not depreciated but measured at the lower of their carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Bank that either has been disposed of, or that is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business
- or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale.

**2.3.25 Fiduciary assets**

Assets held in trust or in a fiduciary capacity are not assets of the Bank and accordingly are not included in these financial statements.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

***2.3.26 Events after reporting period***

Events after the reporting date are defined as favourable or unfavourable events that occur between the reporting date and the date that the financial statements are authorised for issue. There are two types of events after the reporting period:

- those which provide evidence of conditions that existed at the reporting date (adjusting events)
- those that are indicative of conditions that arose after the reporting date (non-adjusting events).

The impact of adjusting events has already been reflected in the financial position and performance of the current year.

The impact and consequences of the non-adjusting events are disclosed in the notes of the financial statements.

***2.4 Changes in accounting policies***

***2.4.1 Adoption of new or revised standards and interpretations***

The following amended standard became effective from 1 January 2025, but did not have any material impact on the Bank:

- Amendments to IAS 21 Lack of Exchangeability  
Effective from: 1 January 2025

**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

***2.4.2 New accounting pronouncements***

The Bank has not applied the following IASs, IFRSs, amendments to IASs and IFRSs and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that have been issued but are not yet effective. The Bank will apply these standards when they become mandatory.

The list of standards and amendments:

- Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7  
Effective from: 1 January 2026
- Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7 (issued on 18 December 2024)  
Effective from: 1 January 2026
- Annual improvements – Volume 11  
Effective from: 1 January 2026
- IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027). In April 2024, the IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and also applies to comparative information. The Bank is currently assessing the impact of the amendments on its financial statements. Accountability: Disclosures (issued on 21 August 2025)

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Effective from: 1 January 2027(not yet endorsed by the EU)

- IFRS 19 Subsidiaries without Public Accountability: Disclosures  
Effective from: 1 January 2027
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency (issued on 13 November 2025)  
Effective from: 1 January 2027
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28  
Effective from: not yet endorsed by the EU

Other than referred to above the Bank does not expect any material impact on its financial reporting.

**2.5 Taxes and levies payable by financial institutions**

Credit institutions and financial institutions are exposed to pay the so called “bank tax” introduced in 2010 in Hungary (see Note 12). The actual bank tax and its reversal (if any) are recorded as expense in the financial period in which it is legally payable. As the bank tax is payable based on non-net income measures it does not meet the definition of income tax under IFRS and is therefore presented as an operating expense in the income statement.

The IFRIC 21 Levies interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. Based on the interpretation of IFRIC 21 the “bank tax” amount is recognized at the beginning of the year in a lump sum in the Bank’s Financial Statements.

In addition to the regular “bank tax” extraordinary tax payment had to be made in 2020. As the additional “bank tax” is deductible in the next 5 years’ regular tax obligation, it has no effect on the profit or loss, but it is reported as an outstanding claim in the statement of financial position.

In 2013 a tax called financial transaction levy (FTL) has been introduced. The FTL is payable based on specified type of transactions (including cash movements and money transfers). Subject of the levy are financial service providers (with seat or branch in Hungary). The FTL is recorded as part of general administrative expenses when the underlying business transaction occurs.

In the case of bankcard transactions the FTL is recognized at the beginning of the year in a lump sum, because the base of this levy is the bankcard numbers of the previous year that triggers the payment obligation of the levy at the beginning of the year.

The Investor Protection Fund (IPF) is established to provide indemnity to investors against property damages arising from the potential insolvency of investment service providers. Members make annual contribution payments to the IPF. Based on the interpretation of IFRIC 21 the amount is recognized at the beginning of the year in a lump sum in the Bank’s Financial Statements.

The Resolution Fund was established in 2014 to shift the costs of crisis management in the financial sector to the members of the sector. The Fund is financed by credit institutions and investment firms from the annual fees paid by the members. According to IFRIC 21 the Bank records the total annual fee at the beginning of the period.

**2.6 Change in estimate**

When preparing the financial statements and applying the Banks’s accounting policies, management is required to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Some degree of uncertainty is inherent in almost all amounts reported. The estimates are based on the experience and assumptions that the Bank’s management believes are reasonable at the time the financial statements are being prepared.

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant areas of estimation uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are detailed in the relevant notes.

##### **2.7 Restatement**

In accordance with IAS 7, the Bank reviewed and amended the composition of the 'Deposits from banks repayable on demand' line item within cash and cash equivalents in the statement of cash flows. The restatement has no impact on the statement of financial position or the statement of profit or loss.

The changes on the statement of cash flows are presented in the table below.

	<u>Restated 2024 MHUF</u>	<u>Restatement MHUF</u>	<u>2024 MHUF</u>
<b>OPERATING ACTIVITIES</b>			
Changes in financial liabilities measured at amortised cost	379 778	13 173	392 951
Changes in operating liabilities	295 390	13 173	308 563
Net cash from/(used in) operating activities	<u>(137 695)</u>	<u>13 173</u>	<u>(124 522)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>			
Net decrease in cash and cash equivalents	(285 256)	13 172	(272 084)
Cash and cash equivalents at beginning of year	1 330 005	(236 489)	1 093 516
Cash and cash equivalents at end of year	<u>1 046 319</u>	<u>(223 317)</u>	<u>823 002</u>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>			
Deposits from banks repayable on demand and redeemable at notice	-	223 317	(223 317)
Total cash and cash equivalents	<u>1 046 319</u>	<u>223 317</u>	<u>823 002</u>

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 3 – INTEREST RATE CAP**

The government decree of 782/2021 introduced an interest rate cap for short term repricing retail mortgage loans with floating interests (where interest rates are repriced between 27 October 2021 and 30 June 2022). In case of these loans the reference rates used as a basis for determining the interest rate at repricing can not exceed the relevant reference rate as of 27 October 2021 for the period between 1 January 2022 and 30 June 2022.

In 2022 the interest rate cap legislation was prolonged in more steps until 30 June 2023. Additionally, the scope of eligibility for the interest cap legislation was also extended:

- according to the government decree of 390/2022 (14 October) from 1 November 2022, the interest cap regulation is applicable also for borrowers with 3 and 5-year mortgages at market interest rates.
- the government decree of 415/2022 (26 October) extended the scope for the SME sector. In case of non state subsidized loans with variable rates the reference rate which will be used to determine the contractual interest rate shall be not higher than the reference rate on 28 June 2022 for the period from 15 November 2022 until 30 June 2023.

In the following years the interest rate cap was further prolonged:

- the government decree of 175/2023 (12 May) extended the interest rate cap for additional six months (until 31 December 2023)
- as of 30 November 2023, the government announced (government decree of 522/2023) a further prolongation with unchanged conditions (SMEs: until 1 April 2024, mortgage borrowers: until 30 June 2024)
- for mortgage borrowers the government decree of 130/2024 provided a further extension of the interest cap until 31 December 2024, then additional extension until 30 June 2025 was announced in the government decree of 374/2024
- in 2025, the interest rate cap was further prolonged until 30 Jun 2026 in two steps (government decree of 374/2024 and 364/2025).

The estimated negative impact of the above measures (HUF 1 797 million loss in 2025, HUF 3 560 million loss in 2024) is recognized as interest and similar income (2025: 0, 2024: HUF 2 670 million) and modification to the gross carrying amount of the related loans (2025: HUF 1 797 million, 2024: HUF 890 million).

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 4 – NET INTEREST AND SIMILAR INCOME**

	<b>2025</b>	<b>2024</b>
	<b>MHUF</b>	<b>MHUF</b>
Financial assets at amortised cost	272 665	309 082
Financial assets at fair value through other comprehensive income	30 457	16 152
Positive interest on financial liabilities	62	100
Interest income calculated using the effective interest method	303 184	325 334
Financial assets held for trading	224	117
Financial assets mandatorily fair value through profit or loss other than held for trading	32 666	26 799
Asset/liability management derivatives	26 300	26 901
Hedging derivatives	99 111	84 062
Interest and similar income from financial lease	6 733	6 233
Other similar income	165 034	144 112
Total interest and similar income	468 218	469 446
Financial liabilities measured at amortised cost	(93 518)	(104 945)
Other	(4)	(7)
Negative interest on financial assets	(70)	(121)
Interest expense calculated using the effective interest method	(93 592)	(105 073)
Asset/liability management derivatives	(47 626)	(45 354)
Hedging derivatives	(95 962)	(95 685)
Other financial liabilities at fair value through profit or loss	(4 227)	(5 910)
Interest and similar expense of defined benefit plans	(15)	(14)
Interest and similar expense from financial lease	(2 392)	(2 790)
Other similar expense	(150 222)	(149 753)
Total interest and similar expense	(243 814)	(254 826)
Net interest and similar income	224 404	214 620

The Bank recorded HUF 492 million interest income (unwinding discount effect) on impaired assets in 2025 (HUF 820 million in 2024).

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 5 – NET FEE AND COMMISSION INCOME**

	<b>2025</b>	<b>2024</b>
	<b>MHUF</b>	<b>MHUF</b>
Credit and guarantee fee income	9 184	9 090
Structured finance	72	36
Total fee income related to financial instruments not at fair value through profit or loss	<u>9 256</u>	<u>9 126</u>
Investment services	15 065	12 145
Trust and fiduciary activities	4 172	3 913
Payment services	107 249	89 116
Card services	20 736	20 546
Other	<u>8 315</u>	<u>7 388</u>
Fee and commission income	<u>164 793</u>	<u>142 234</u>
Investment services	(1 005)	(750)
Credit and guarantee fee expense	(8 150)	(7 800)
Commissions to agents	(2 429)	(1 424)
Payment transactions	(9 934)	(8 772)
Card services	(12 393)	(10 488)
Insurance commissions	(6 912)	(5 998)
Other	<u>(2 391)</u>	<u>(1 620)</u>
Fee and commission expense	<u>(43 214)</u>	<u>(36 852)</u>
Net fee and commission income	<u><u>121 579</u></u>	<u><u>105 382</u></u>

Front-end fees related to financial assets at amortised cost (loans and receivables) are part of the effective interest rate method calculation and are recorded as interest income or expenses over the life of the underlying asset.

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 6 – NET GAINS / (LOSSES) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2025</u>	<u>2024</u>
	MHUF	MHUF
Trading securities	260	248
Interest rate derivatives (including interest and fair value changes in trading derivatives)	(1 601)	(2 956)
Other financial liabilities designated at fair value through profit or loss mandatorily at fair value through profit or loss other than held for trading*	(481)	(203)
Foreign exchange trading (including interest and fair value changes in trading foreign exchange derivatives)	12 820	17 063
Fair value adjustments in hedge accounting**	8 847	2 202
	<u>(1 875)</u>	<u>(80)</u>
Net gains / (losses) from financial instruments at fair value through profit or loss	<u>17 970</u>	<u>16 274</u>

In 2020 a new valuation methodology was implemented for loans mandatorily valued at fair value through profit or loss in accordance with IFRS 9 and since then this fair value calculation is updated quarterly along with the IRSs intended to hedge this position economically and accounting wise.

As these loans should be kept at fair value, the Bank's purpose with the economic hedge is to decrease the impact on the current year's result. (The repricing period of these product is over 1 year, and as the market rates are constantly moving, the fair value can also change during the repricing period).

The change in the fair value of financial instruments at fair value through profit or loss, where the fair value calculation is based on non-observable parameters was HUF 3 519 million loss in 2025 (HUF 7 267 million gain in 2024).

\*The Bank has been concentrating all trading-related risk in the book of KBC Bank. Locally, incoming transactions are transferred to KBC Bank within seconds through the established automated process, after which all further processing - including trading book risk-management - takes place there. The profit generated on KBC's side is subsequently transferred to the Bank and is reported under this line.

\*\*Results of cash flow hedge derivatives transferred from Other comprehensive income to the Income statement amounted to HUF 550 million loss in 2025 (HUF 80 million loss in 2024). The residual part of the result presented as Fair value adjustments in hedge accounting arose from early terminations. No result was recorded as the unrealised revaluation of the ineffective cash flow hedge transactions in 2025 (nor in 2024).

##### NOTE 7 – NET REALISED GAINS / (LOSSES) FROM SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In 2025 the Bank converted a part of its Visa Inc. C series preferred shares into A series. In 2025 the Bank sold the converted shares. Due to the disposal a gain of HUF 351 million was transferred from revaluation reserve of equity instruments to accumulated profit in 2025 (HUF 515 million gain in 2024).

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 8 – DIVIDEND INCOME

The Bank recognised HUF 964 million dividend income in 2025 (HUF 1 289 million in 2024).

	<u>2025</u> MHUF	<u>2024</u> MHUF
K&H Csoportszolgáltató Kft	59	72
K&H Ingatlanlízing Zrt.	111	121
K&H Faktor Zrt.	-	-
K&H Jelzálogbank Zrt.	787	1 086
K&H Autópark Kft.	-	-
VISA inc	7	10
	<u>964</u>	<u>1 289</u>
Total dividend income	<u>964</u>	<u>1 289</u>

##### NOTE 9 – GAINS / (LOSSES) ON THE DISPOSAL OF ASSETS AT AMORTISED COST

	<u>2025</u> MHUF	<u>2024</u> MHUF
Loss on the disposal of debt securities	-	(172)
Gain on the disposal of loans and advances	922	826
	<u>922</u>	<u>654</u>
(Loss) / Gain on the disposal of assets at amortised cost	<u>922</u>	<u>654</u>

By the disposals of assets at amortised cost (where the disposals were not in contradiction with the concerned business model) the Bank decreased the realised loss arising from its lending activity and slightly increase its income resulting from securities.

##### NOTE 10 – OTHER INCOME AND EXPENSE

	<u>2025</u> MHUF	<u>2024</u> MHUF
Gain on property and equipment	603	1 094
Gain on sale of goods	85	127
Gain on other services	752	748
Recoveries related to operational risk	11 153	2
Other income – other	1 631	341
	<u>14 224</u>	<u>2 312</u>
Other income	<u>14 224</u>	<u>2 312</u>

The income of HUF 752 million reported as gain on other services in 2025 (HUF 748 million 2024) results from finance and accounting, business management, technical, logistic and bank security services granted by the Bank to other KBC Bank entities operating in Hungary.

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 10 – OTHER INCOME AND EXPENSE (continued)**

	<u>2025</u> <b>MHUF</b>	<u>2024</u> <b>MHUF</b>
Losses on property and equipment	(10)	(26)
Losses due to operational risks	(765)	(11 576)
Other expense – other	(21)	(55)
Other expense	<u>(796)</u>	<u>(11 657)</u>

**NOTE 11 – GENERAL ADMINISTRATIVE EXPENSES**

	<u>2025</u> <b>MHUF</b>	<u>2024</u> <b>MHUF</b>
IT expenses	(27 336)	(23 376)
Rental expenses	363	455
Repair and maintenance	(2 767)	(2 270)
Marketing expenses	(2 899)	(2 212)
Professional fees	(3 755)	(3 564)
Other facilities expenses	(6 066)	(6 298)
Communication expenses	(24)	(27)
Travel expenses	(64)	(61)
Training expenses	(836)	(750)
Personnel related expenses	(281)	(205)
Financial transaction levy	(70 610)	(55 620)
Other administrative expenses	(6 455)	(5 871)
Other provision	-	474
Total general administrative expenses	<u>(120 730)</u>	<u>(99 325)</u>

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 12 – BANK TAX

The Bank recorded a bank tax of HUF 25 364 million in 2025 (HUF 31 555 million in 2024).

The tables below present the details of the bank tax recorded by the Bank in 2025 and 2024.

2025	Activity	Tax base	Effective tax rate	Tax
		MHUF	%	MHUF
K&H Bank Zrt.	Credit institution	5 326 662	0.200	10 628
K&H Bank Zrt. (extra profit tax)	Credit institution	206 800	7.126	14 736
Total		5 533 462	0.458	25 364

2024	Activity	Tax base	Effective tax rate	Tax
		MHUF	%	MHUF
K&H Bank Zrt.	Credit institution	5 412 451	0.200	10 800
K&H Bank Zrt. (extra profit tax)	Credit institution	149 700	13.864	20 755
Total		5 562 151	0.567	31 555

The bank tax payable by the Bank for the year 2025 is calculated as follows.

For credit institutions the tax base includes the total asset value as at 31 December 2023, less:

- Hungarian interbank loan receivables, including bank deposits and repo transactions;
- bonds and shares issued by Hungarian credit institutions, financial enterprises and investment enterprises;
- loan receivables, subordinated and supplementary subordinated loan receivables with respect to capital provided to Hungarian financial enterprises and investment enterprises (including receivables under repos, collateralized repos, repos settled in kind);
- receivables deriving from EU inter-bank credits, bonds and shares issued by other credit institutions.

In 2024 the tax base of credit institutions was the total asset value as at 31 December 2022 adjusted by the above mentioned decreasing items.

The bank tax for credit institutions is payable at 0.15% on tax base below HUF 50 000 million and 0.20% on tax base above HUF 50 000 million in 2025 (and in 2024).

The bank tax for the Bank is expected to be HUF 11 424 million in 2026, which was established on January 1, 2026. In 2026 the tax base of credit institutions is the total asset value as at 31 December 2024 adjusted by the above mentioned decreasing items.

In 2022-2026, the financial institution sector is obliged to pay a special tax (the so called extra profit tax).

In 2025, the tax base is the adjusted pre-tax profit for 2023, where the tax rate is 7% for a tax base below HUF 20 000 million and 18% above HUF 20 000 million. The tax for 2025 has been reduced by 50% via increasing the stock of government securities.

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 12 – BANK TAX (continued)

In 2026, the tax base is the adjusted pre-tax profit for 2024, where the tax rate is 10% for a tax base below HUF 20 000 million and 30% above HUF 20 000 million. The tax for 2026 can be reduced by 30% via increasing the stock of government securities.

In 2025, the Bank recorded HUF 14 736 million extra profit tax (HUF 20 755 million in 2024). The Bank's extra profit tax is expected to be HUF 46 571 million in 2026 (without any decrease), which was established on 1 January, 2026.

##### NOTE 13 – AVERAGE NUMBER OF PERSONNEL AND STAFF EXPENSES

	<u>2025</u>	<u>2024</u>
White-collar staff	3 206	3 177
Key management	<u>34</u>	<u>52</u>
Total average number of persons employed	<u><u>3 240</u></u>	<u><u>3 229</u></u>

  

	<u>2025</u>	<u>2024</u>
	<u>MHUF</u>	<u>MHUF</u>
Wages and salaries	36 020	33 706
Social security charges	6 538	6 044
Defined benefit plan	(5)	(9)
Share based payments	181	246
Other staff expenses	<u>4 512</u>	<u>3 977</u>
Total staff expenses	<u><u>47 246</u></u>	<u><u>43 964</u></u>

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 14 – INCOME TAXES

The components of income tax expense for the year ended 31 December 2025 and 2024 are:

	<u>Notes</u>	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Statutory income tax expense		(12 591)	(13 046)
Statutory income tax from self-revision of prior years		104	111
Local business tax and innovation contribution		(10 024)	(9 113)
Pillar Two income tax		-	(700)
Deferred taxes on income	28	<u>(20)</u>	<u>(360)</u>
Income tax (expense) / benefit		<u>(22 531)</u>	<u>(23 108)</u>

##### *Pillar Two income tax expense*

Pillar Two regulations came into effect in Hungary on January 1, 2024, and the Bank has already taken this into account when calculating its tax obligations for the current financial period. This calculation has been made based on the currently effective OECD rules and Hungarian law.

The Bank continuously assesses the impact of the regulations and monitors the implementation processes in Hungary. Any changes that may arise will be disclosed in the subsequent financial statements. The Bank remains committed to providing transparent disclosures and will update its financial statements as new information becomes available.

The Bank applies the temporary exemption provided by the IAS 12 amendments, which means that no deferred tax assets or liabilities related to Pillar Two taxes are recognized or presented in the financial statements. This approach is consistently applied in the financial reporting.

##### *Statutory income tax expense*

In 2025 and 2024 corporate income tax was payable at 9% on yearly profits.

Considering their non-turnover characteristics, local business taxes are presented as an income tax expense for IFRS purposes. Local business taxes include local government tax and innovation tax.

There is no procedure for final agreement of tax assessments in Hungary. The tax authorities may examine the accounting records and revise assessments for up to six years after the period to which they relate. Consequently, the Bank may be subject to further assessments in the event of an audit by the tax authorities. The corporate tax returns for the Bank have been reviewed and closed off by the taxation authorities for the years up to 2019. Management is not aware of any additional significant non-accrued potential tax liability which might arise relating to years not audited by the tax authorities.

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 14 – INCOME TAXES (continued)**

The effective income tax rate varied from the statutory income tax rate due to the following items:

	<b>2025 MHUF</b>	<b>2024 MHUF</b>
Profit / (loss) before tax	160 742	151 341
Income tax rate	9.00%-	9.00%
Income tax calculated	(14 467)	(13 621)
Plus/minus tax effects attributable to:		
Tax base decreasing items	1 219	881
Adjustments related to prior years	104	111
Local taxes and innovation contribution	(10 163)	(9 113)
Tax base increasing items	776	(1 366)
Total tax effects	(8 064)	(9 487)
Income tax expense (income tax calculated + total tax effects)	(22 531)	(23 108)

The effective income tax rate is 14,02% excluding Pillar Two income tax. (2024: 15,27% including Pillar Two income tax and 14,81% if Pillar Two income tax is excluded).

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 15 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY PORTFOLIO AND PRODUCT**

	<b>Held for trading</b>	<b>Mandatorily fair value through profit or loss</b>	<b>At fair value through other comprehensive income</b>	<b>At amortised cost*</b>	<b>Hedging derivatives</b>	<b>Total</b>
	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>
Financial assets at 31 December 2025						
Securities	130	-	419 571	1 209 963	-	1 629 664
Loans and advances	-	523 249	-	3 641 836	-	4 165 085
Derivatives	46 552	-	-	-	95 956	142 508
<b>Total</b>	<b>46 682</b>	<b>523 249</b>	<b>419 571</b>	<b>4 851 799</b>	<b>95 956</b>	<b>5 937 257</b>

	<b>Held for trading</b>	<b>Mandatorily fair value through profit or loss</b>	<b>At fair value through other comprehensive income</b>	<b>At amortised cost*</b>	<b>Hedging derivatives</b>	<b>Total</b>
	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>
Financial assets at 31 December 2024						
Securities	453	-	476 670	990 751	-	1 467 874
Loans and advances	-	382 876	-	3 827 730	-	4 210 606
Derivatives	52 740	-	-	-	122 193	174 933
<b>Total</b>	<b>53 193</b>	<b>382 876</b>	<b>476 670</b>	<b>4 818 481</b>	<b>122 193</b>	<b>5 853 413</b>

\*Including cash balance with central banks and other demand deposits to credit institutions.

The accompanying notes on pages 12 to 178 are an integral part of these financial statements.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 15 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT  
(continued)**

	Held for trading	Designated at fair value through profit or loss	Hedging derivatives	Measured at amortised cost	Total
	MHUF	MHUF	MHUF	MHUF	MHUF
Financial liabilities as at 31 December 2025					
Deposits from central banks	-	-	-	91 884	91 884
Deposits from credit institutions and investment firms*	-	-	-	962 237	962 237
Deposits from customers and debt certificates	-	72 131	-	4 196 229	4 268 360
Deposits from customers	-	56 247	-	4 158 601	4 214 848
Demand deposits	-	-	-	2 902 794	2 902 794
Term deposits	-	56 247	-	959 091	1 015 338
Savings deposits	-	-	-	296 716	296 716
Debt certificates	-	15 884	-	37 628	53 512
Certificates of deposits	-	-	-	230	230
Issued bonds	-	15 884	-	-	15 884
Non-convertible subordinated liabilities	-	-	-	37 398	37 398
Derivatives	47 413	-	75 041	-	122 454
Other	-	-	-	34 746	34 746
Total carrying value	<u>47 413</u>	<u>72 131</u>	<u>75 041</u>	<u>5 285 096</u>	<u>5 479 681</u>

\*Of which HUF 17 115 million is deposits from banks repayable on demand.

Deposits from credit institutions and investment firms includes repo transactions of HUF 129 890 million.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 15 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT  
(continued)**

	Held for trading	Designated at fair value through profit or loss	Hedging derivatives	Measured at amortised cost	Total
	MHUF	MHUF	MHUF	MHUF	MHUF
Financial liabilities as at 31 December 2024					
Deposits from central banks	-	-	-	140 354	140 354
Deposits from credit institutions and investment firms*	-	-	-	1 004 795	1 004 795
Deposits from customers and debt certificates	-	55 130	-	3 977 021	4 032 151
Deposits from customers	-	48 108	-	3 924 694	3 972 802
Demand deposits	-	-	-	2 729 324	2 729 324
Term deposits	-	48 108	-	914 060	962 168
Savings deposits	-	-	-	281 310	281 310
Debt certificates	-	7 022	-	52 327	59 349
Certificates of deposits	-	-	-	230	230
Issued bonds	-	7 022	-	-	7 022
Non-convertible subordinated liabilities	-	-	-	52 097	52 097
Derivatives	53 500	-	86 202	-	139 702
Other	-	-	-	35 523	35 523
Total carrying value	<u>53 500</u>	<u>55 130</u>	<u>86 202</u>	<u>5 157 693</u>	<u>5 352 525</u>

\*Of which HUF 82 963 million is deposits from banks repayable on demand.

Deposits from credit institutions and investment firms includes repo transactions of HUF 115 628 million.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 15 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT  
(continued)**

*Details of financial instruments*

*Securities*

The breakdown of securities is presented in the tables below.

	<u>2025</u> MHUF	<u>2024</u> MHUF
<u>Held for trading</u>		
Hungarian government bonds issued in HUF	<u>130</u>	<u>453</u>
Total held for trading securities	<u><u>130</u></u>	<u><u>453</u></u>

	<u>2025</u>			<u>2024</u>		
	<u>Gross carrying amount</u>	<u>Fair value adjustment</u>	<u>Impairment</u>	<u>Gross carrying amount</u>	<u>Fair value adjustment</u>	<u>Impairment</u>
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
<u>Fair value through other comprehensive income</u>						
Hungarian treasury bills	-	-	-	121 082	326	(40)
Hungarian government bonds issued in HUF	418 123	2 686	(256)	353 627	1 481	(203)
Listed equity instrument	310	254	-	810	653	-
Unlisted equity instruments	739	-	-	745	-	-
Mortgage bonds	166	12	-	161	7	-
Bond issued by non-financial corporations in HUF	<u>529</u>	<u>(43)</u>	<u>(40)</u>	<u>524</u>	<u>(71)</u>	<u>(36)</u>
Total fair value through other comprehensive income	<u><u>419 867</u></u>	<u><u>2 909</u></u>	<u><u>(296)</u></u>	<u><u>476 949</u></u>	<u><u>2 396</u></u>	<u><u>(279)</u></u>

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 15 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT  
(continued)**

The quality of securities held at fair value through other comprehensive income in 2025 is presented in the tables below.

	Gross carrying amount and fair value adjustments		Impairment		Total carrying amount MHUF
	Stage 1	Stage 3	Stage 1	Stage 3	
	MHUF	MHUF	MHUF	MHUF	
<i>Hungarian treasury bills</i>	-	-	-	-	-
<i>Hungarian government bonds issued in HUF</i>	418 123	-	(256)	-	417 867
<i>Mortgage bonds issued by credit institutions</i>	166	-	-	-	166
<i>Bond issued by non-financial corporations in HUF</i>	408	121	-	(40)	489
<i>Total carrying amount of securities at fair value through other comprehensive income</i>	<u>418 697</u>	<u>121</u>	<u>(256)</u>	<u>(40)</u>	<u>418 522</u>

The quality of securities at fair value through other comprehensive income in 2024 is presented in the tables below.

	Gross carrying amount and fair value adjustments		Impairment		Total carrying amount MHUF
	Stage 1	Stage 3	Stage 1	Stage 3	
	MHUF	MHUF	MHUF	MHUF	
<i>Hungarian treasury bills</i>	121 082	-	(40)	-	121 042
<i>Hungarian government bonds issued in HUF</i>	353 627	-	(203)	-	353 424
<i>Mortgage bonds issued by credit institutions</i>	161	-	-	-	161
<i>Bond issued by non-financial corporations in HUF</i>	408	116	-	(36)	488
<i>Total carrying amount of securities at fair value through other comprehensive income</i>	<u>475 278</u>	<u>116</u>	<u>(243)</u>	<u>(36)</u>	<u>475 115</u>

FVOCI equity instruments contain as at 31 December 2025 unlisted equity instruments in a value of HUF 739 million (HUF 745 million at the end of 2024) for which a fair value can not be measured reliably. These investments are not traded on active markets.

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 15 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT (continued)

The fair value of the Bank's investment in Visa Inc. is presented as listed equity instrument in the table above.

These FVOCI investments contain long term investments in companies where the Bank does not have significant influence.

FVOCI investments disclosed on their net carrying amount are:

	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Garantiqa Hitelgarancia Zrt.	640	640
SWIFT S.C.	99	105
	<u>739</u>	<u>745</u>

The Bank recorded HUF 5 783 million loss after tax in other comprehensive income as a result of the fair value revaluation of FVOCI debt securities in 2025 (HUF 2 063 million gain after tax for in 2024).

The unrealised result of FVOCI debt securities is cumulatively HUF 661 million gain after tax as at 31 December 2025 (HUF 6 429 million gain as at 31 December 2024).

Debt securities at amortised cost consisted of the following types of securities.

	<u>2025</u>		<u>2024</u>	
	<u>Gross carrying amount MHUF</u>	<u>Impairment MHUF</u>	<u>Gross carrying amount MHUF</u>	<u>Impairment MHUF</u>
<u>At amortised cost</u>				
Treasury bills	188 125	(56)	148 111	(24)
Government bonds issued in HUF	904 285	(572)	711 370	(410)
Government bonds issued in foreign currency	75 755	(46)	91 245	(52)
Bonds issued by financial corporations in HUF	3 602	-	5 441	-
Bond issued by non financial corporations in HUF	36 269	(928)	35 989	(919)
Bond issued by non financial corporations in foreign currency	3 531	(2)	-	-
Total at amortised cost	<u>1 211 567</u>	<u>(1 604)</u>	<u>992 156</u>	<u>(1 405)</u>

Bonds issued by financial corporations include bonds issued by the Investor Protection Fund of Hungary.

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 15 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT (continued)

The quality of securities held at amortised cost in 2025 is presented in the tables below.

	Gross carrying amount			Accumulated impairment			Total carrying amount MHUF
	Stage 1 MHUF	Stage 2 MHUF	Stage 3 MHUF	Stage 1 MHUF	Stage 2 MHUF	Stage 3 MHUF	
Hungarian treasury bills	188 125	-	-	(56)	-	-	188 069
Hungarian government bonds	980 040	-	-	(618)	-	-	979 422
Bond issued by financial corporations	3 602	-	-	-	-	-	3 602
Bond issued by non-financial corporations	22 206	15 666	1 928	(48)	(129)	(753)	38 870
Total carrying amount of securities at amortised cost	<u>1 193 973</u>	<u>15 666</u>	<u>1 928</u>	<u>(722)</u>	<u>(129)</u>	<u>(753)</u>	<u>1 209 963</u>

The quality of securities held at amortised cost in 2024 is presented in the tables below.

	Gross carrying amount			Accumulated impairment			Total carrying amount MHUF
	Stage 1 MHUF	Stage 2 MHUF	Stage 3 MHUF	Stage 1 MHUF	Stage 2 MHUF	Stage 3 MHUF	
Hungarian treasury bills	148 111	-	-	(24)	-	-	148 087
Hungarian government bonds	802 615	-	-	(462)	-	-	802 153
Bond issued by financial corporations	5 441	-	-	-	-	-	5 441
Bond issued by non-financial corporations	17 683	16 390	1 916	(27)	(211)	(681)	35 070
Total carrying amount of securities at amortised cost	<u>973 850</u>	<u>16 390</u>	<u>1 916</u>	<u>(513)</u>	<u>(211)</u>	<u>(681)</u>	<u>990 751</u>

The Bank participated in the Bond Funding for Growth Scheme (BGS) launched by Hungarian National Bank with the aim of developing local bond market, boosting securitization of existing loans and diversifying the funding structure of corporate sector. Within the framework of the scheme, Hungarian National Bank purchased bonds in both the primary and secondary markets. Bonds resulting from the program are presented as Bonds issued by non-financial corporations in the table above.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 15 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT  
(continued)**

*Assets pledged as collateral for liabilities and contingent liabilities*

	<u>Note</u>	<u>2025</u>		<u>2024</u>	
		<u>Asset pledged</u>	<u>Related liability</u>	<u>Asset pledged</u>	<u>Related liability</u>
		<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>
Assets pledged:					
Hungarian government bonds pledged for repo liabilities		118 434	129 890	114 076	115 628
Hungarian government bonds pledged for Funding for Growth Scheme launched by the Hungarian National Bank	17	85 362	76 403	115 976	100 915
Other demand deposit with credit institutions pledged for derivative transactions		287	12 587	502	10 051
Hungarian government bonds pledged for clearing transactions	17	37 602	-	30 411	-
Mortgage loans pledged for refinancing loans		<u>230 844</u>	<u>217 924</u>	<u>229 142</u>	<u>197 829</u>
Total		<u>472 529</u>	<u>436 804</u>	<u>490 107</u>	<u>424 423</u>

Assets pledged as collateral for refinancing credits, derivatives and clearing transactions contain cash and cash equivalents and securities. These assets are not transferred to the counterparty. In case of derivatives the terms and conditions of collateral settlement are defined in separate CSAs (Credit Support Annexes) between the counterparties. In case of securities the collateral requirement is defined on portfolio basis and it is held in custody at a central clearing house (KELER).

Bonds pledged for repo liabilities includes not only transferred assets (financial assets continued to be recognised in their entirety in the statement of financial position) but also collaterals received (bond collaterals behind reverse repo transactions) where the Bank is allowed to re-pledge the collateral for its own liabilities.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 15 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT (continued)**

The following table presents the breakdown of financial assets mandatorily at fair value through profit or loss and at amortised cost by portfolio and product as at 31 December 2025.

	Mandatorily at fair value through profit or loss			At amortised cost		
	Gross carrying amount	Accumulated negative changes in fair value due to credit risk	Total	Gross carrying amount	Accumulated impairment	Total
		MHUF			MHUF	
Loans and advances at 31 December 2025						
Central bank and credit institutions*	-	-	-	1 006 798	(84)	1 006 714
General government	-	-	-	155 149	(80)	155 069
Corporate	-	-	-	1 564 118	(13 982)	1 550 136
of which: Small and Medium enterprises	-	-	-	776 311	(7 570)	768 741
Households	523 271	(22)	523 249	941 472	(11 555)	929 917
Consumer credit	301 320	-	301 320	162 620	(3 863)	158 757
Credit card	-	-	-	8 482	(337)	8 145
Current account	-	-	-	13 958	(2 107)	11 851
Finance lease	-	-	-	2 064	(2)	2 062
Mortgage loan	221 951	(22)	221 929	735 207	(5 207)	730 000
Term loan	-	-	-	19 141	(39)	19 102
Total	<u>523 271</u>	<u>(22)</u>	<u>523 249</u>	<u>3 667 537</u>	<u>(25 701)</u>	<u>3 641 836</u>

For details of the valuation method of loans and advances mandatorily at fair value through profit or loss see Note 18.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**
**NOTES TO THE FINANCIAL STATEMENTS**
**NOTE 15 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT (continued)**

The following table presents the breakdown of financial assets mandatorily at fair value through profit or loss and at amortised cost by portfolio and product as at 31 December 2024.

	Mandatorily at fair value through profit or loss			At amortised cost		
	Gross carrying amount	Accumulated negative changes in fair value due to credit risk	Total	Gross carrying amount	Accumulated impairment	Total
		MHUF			MHUF	
Loans and advances at 31 December 2024						
Central bank and credit institutions*	-	-	-	1 368 093	(59)	1 368 034
General government	-	-	-	139 597	(50)	139 547
Corporate	-	-	-	1 493 328	(13 133)	1 480 195
of which: Small and Medium enterprises	-	-	-	825 015	(6 974)	818 041
Households	382 903	(27)	382 876	853 052	(13 098)	839 954
Consumer credit	260 230	-	260 230	132 432	(4 152)	128 280
Credit card	-	-	-	7 172	(137)	7 035
Current account	-	-	-	9 027	(1 387)	7 640
Finance lease	-	-	-	1 749	(5)	1 744
Mortgage loan	122 673	(27)	122 646	681 867	(7 317)	674 550
Term loan	-	-	-	20 805	(100)	20 705
Total	<u>382 903</u>	<u>(27)</u>	<u>382 876</u>	<u>3 854 070</u>	<u>(26 340)</u>	<u>3 827 730</u>

\*From the total balance of loans and advances to Central bank and credit institutions HUF 533 999 million is either repayable on demand or is maturing in less than 90 days (HUF 958 744 million in 2024). Reverse repo transactions amounted to HUF 27 237 million in 2025 (in 2024: HUF 20 881 million).

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 15 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT  
(continued)**

*Refinancing credits*

The Bank has entered into several refinancing credit facilities with financial institutions (such as EXIM Bank, MBH Bank) for the purpose of funding portions of the Bank's activities. There are several covenants governing the determination of qualified recipients, the on-going monitoring process of the ultimate recipients and the repayment process. In all cases the Bank assumes all credit risk related to the ultimate borrower and must check compliance with all covenants.

The Hungarian National Bank (MNB) launched a program called Funding for Growth Scheme in 2013. The aim of the program is the refinancing of small and medium enterprises (SME) through the Hungarian bank system. The MNB funds the credit institutions attending the program through below market rate refinancing loans during a temporary period and in a limited amount. These funds are used by the credit institutions for granting credits to SMEs with similar, favourable conditions for pre-determined purposes. The maximum maturity of the refinancing loans is 10 years at initiation and it corresponds to the maturity of the loans granted to the customers.

The latest phase of Funding for Growth Scheme launched in April 2020 aims to help SMEs and corporations to mitigate the negative financial effects of the Covid-19 crises. The scheme makes financial funds available to micro-, small and medium-sized businesses through credit institutions and financial businesses at a fixed interest rate of a maximum 2.5%. The maximum tenor of the loans is set at 20 years. In a further easing of terms compared to previous phases of the scheme, it was possible to draw down loans within three years from the signing of the contract (this time limitation has already expired, the Bank had no loan commitment from the program in 2025). The minimum loan amount is reduced to HUF 1 million and the maximum loan amount per one SME is HUF 20 000 million. Financial institutions must assess loan applications within two weeks from the availability of the necessary information.

Due to the favourable interest conditions the Bank recorded day 1 profit both on the refinancing loans and customer credits being the difference between the transaction price and the fair value calculated at the date of initial recognition and recorded the gain and the loss in the income statement. After initial recognition the Bank reverses this fair value adjustment over the term of the instruments. The Bank uses valuation technique based on non-market observable inputs for the fair value calculation. The day 1 profit recorded on refinancing loans and customer credits offset each other therefore have no impact on the income statement. The value adjustment included in the carrying amount of refinancing loans amounted to HUF 1 629 gain in 2025 and the same amount of loss was recorded in the carrying amount of customer loans (HUF 2 299 gain and loss in 2024).

At 31 December 2025 and 2024, Management believes that the Bank is in compliance with all covenants. Refinancing credits are presented as financial liabilities at amortised cost in the statement of financial position.

In 2021 the Funding for Growth Scheme was closed.

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### **NOTE 15 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT (continued)**

The mortgage refinancing loans of HUF 217 924 million (HUF 197 829 million in 2024) were granted by K&H Jelzálogbank Zrt. to ensure the fund needed by the Bank for the origination of retail mortgage loans. The refinanced retail mortgage loans are also presented as assets pledged as collateral for liabilities and contingent liabilities in this Note. The repayment of the mortgage refinancing loans is in accordance with the repayment of the refinanced retail mortgage loans. K&H Jelzálogbank Zrt. ensures the refinancing sources by the issuance of mortgage bonds.

	2025		2024	
	Liabilities	Assets	Liabilities	Assets
	MHUF	MHUF	MHUF	MHUF
Refinancing credits in the frame of the Funding for Growth Scheme	76 403	76 555	100 915	101 898
Mortgage refinancing credits	217 924	230 844	197 829	229 142
Other refinancing credits	181 072	175 110	184 930	180 564
Total refinancing credits	<u>475 399</u>	<u>482 509</u>	<u>483 674</u>	<u>511 604</u>

##### *Issued bonds*

In 2025 the Bank issued a new capital protected bond with a maturity of 4-5 years. The interest is due at maturity in one sum. The bonds are economically hedged by FX options. The bonds are presented as financial instrument at fair value through profit or loss in the consolidated statement of financial position to avoid accounting mismatch.

##### *Non-convertible subordinated liabilities*

	2025	2024
	MHUF	MHUF
Subordinated loan from KBC Group	<u>37 398</u>	<u>52 097</u>
	<u>37 398</u>	<u>52 097</u>

In June 2006, the Bank borrowed EUR 60 million (HUF 23 124 million in 2025 and HUF 24 605 million in 2024) of subordinated debt from KBC Bank N.V. Dublin branch, a member of the KBC Group. In 2014 KBC Bank N.V. has taken over the facility from its branch. In March 2015 the loan's original maturity of 30 June 2016 was extended with 10 years. The loan bears a variable interest rate of 3 month-EURIBOR plus 2.70 percent per annum.

In September 2015 the Bank agreed on an additional subordinated debt of EUR 30 million (HUF 12 303 million in 2024) with KBC Bank N.V. with conditions of 10 years maturity and a variable interest rate of 3 month-EURIBOR plus 3.05 percent per annum. The debt expired in 2025.

The third subordinated loan contract between the Bank and KBC Bank N.V. was made in December 2017. KBC Bank N.V. granted an additional EUR 37 million (HUF 14 260 million in 2025 and HUF 15 173 million in 2024) loan to the Bank with a maturity of 10 years and a variable interest rate of 3 months-EURIBOR plus 1.53 percent per annum.

Non-convertible subordinated liabilities are presented as financial liabilities at amortised cost in the consolidated statement of financial position.

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 16 – TRANSFERRED FINANCIAL ASSETS**

The following table includes transferred financial assets continued to be recognised in their entirety.

	2025		2024	
	Carrying amount of transferred asset MHUF	Carrying amount of associated liability MHUF	Carrying amount of transferred asset MHUF	Carrying amount of associated liability MHUF
Held-to-maturity debt instruments				
Debt securities at amortised cost	83 388	94 713	45 154	40 948
Debt securities at fair value through other comprehensive income	7 985	7 940	31 584	53 936
Total transferred assets and associated liabilities	<u>91 373</u>	<u>102 653</u>	<u>76 738</u>	<u>94 884</u>

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 16 – TRANSFERRED FINANCIAL ASSETS (continued)**

*Repo and reverse repo agreements*

Under reverse repo transactions, the Bank obtains legal ownership of the respective collateral received and, thus, is permitted to utilise the collateral; however, the same collateral must be delivered back to the borrower of the funds on maturity, which generates an asset recorded as financial asset held at amortised cost in the financial position. The Bank recorded a HUF 27 237 million reverse repo transaction as at 31 December 2025 (in 2024 HUF 20 881 million).

The terms of repos and reverse repo transactions are less than three months and the interest rate is based on HUF interbank rates (BUBOR).

The Bank has no associated liabilities which have recourse limited only to the transferred assets.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 17 – OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES**

The following tables present the financial assets and liabilities which are subject to enforceable master netting agreements as at 31 December 2025:

	<b>Amounts presented in the statement of financial position</b>			<b>Amounts not set off in the statement of financial position</b>			
	<b>Gross amount of recognised financial assets</b>	<b>Gross amount of financial liabilities set off</b>	<b>Net amounts of financial assets</b>	<b>Financial instruments</b>	<b>Cash collateral received</b>	<b>Securities collateral received</b>	<b>Net amount</b>
	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>
Derivatives	142 508	-	142 508	109 867	15 387	-	17 254
Reverse repurchase agreements	27 237	-	27 237	-	-	27 061	176
<b>Total financial assets subject to offsetting or master netting agreements</b>	<b>169 745</b>	<b>-</b>	<b>169 745</b>	<b>109 867</b>	<b>15 387</b>	<b>27 061</b>	<b>17 430</b>
	<b>Amounts presented in the statement of financial position</b>			<b>Amounts not set off in the statement of financial position</b>			
	<b>Gross amount of recognised financial liabilities</b>	<b>Gross amount of financial assets set off</b>	<b>Net amounts of financial liabilities</b>	<b>Financial instruments</b>	<b>Cash collateral pledged</b>	<b>Securities collateral pledged</b>	<b>Net amount</b>
	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>
Derivatives	122 454	-	122 454	109 867	287	-	12 300
Repurchase agreements	129 890	-	129 890	-	-	118 434	11 456
<b>Total financial liabilities subject to offsetting or master netting agreements</b>	<b>252 344</b>	<b>-</b>	<b>252 344</b>	<b>109 867</b>	<b>287</b>	<b>118 434</b>	<b>23 756</b>

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 17 – OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES (continued)**

The following tables present the financial assets and liabilities which are subject to enforceable master netting agreements as at 31 December 2024:

	<b>Amounts presented in the statement of financial position</b>			<b>Amounts not set off in the statement of financial position</b>			
	<b>Gross amount of recognised financial assets</b>	<b>Gross amount of financial liabilities set off</b>	<b>Net amounts of financial assets</b>	<b>Financial instruments</b>	<b>Cash collateral received</b>	<b>Securities collateral received</b>	<b>Net amount</b>
	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>
Derivatives	174 933	-	174 933	129 651	24 439	-	20 843
Reverse repurchase agreements	20 881	-	20 881	-	-	20 389	492
Total financial assets subject to offsetting or master netting agreements	<u>195 814</u>	<u>-</u>	<u>195 814</u>	<u>129 651</u>	<u>24 439</u>	<u>20 389</u>	<u>21 335</u>
	<b>Amounts presented in the statement of financial position</b>			<b>Amounts not set off in the statement of financial position</b>			
	<b>Gross amount of recognised financial liabilities</b>	<b>Gross amount of financial assets set off</b>	<b>Net amounts of financial liabilities</b>	<b>Financial instruments</b>	<b>Cash collateral pledged</b>	<b>Securities collateral pledged</b>	<b>Net amount</b>
	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>
Derivatives	139 702	-	139 702	129 651	502	-	9 549
Repurchase agreements	115 628	-	115 628	-	-	114 076	1 552
Total financial liabilities subject to offsetting or master netting agreements	<u>255 330</u>	<u>-</u>	<u>255 330</u>	<u>129 651</u>	<u>502</u>	<u>114 076</u>	<u>11 101</u>

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 17 – OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES (continued)**

Derivatives, repurchase and reverse repurchase agreements are subject to different netting agreements as ISDA (International Swaps and Derivatives Association) Master Agreements, CSAs (Credit Support Annex) and GMRA (Global Master Repurchase Agreement) in case of institutional clients (credit institutions and investment firms) or treasury limits in case of corporate customers.

Financial assets and liabilities subject to master netting agreements are not netted in the statement of financial position, since the Bank has no intention to settle these instruments on a net basis in the normal course of business.

Given cash collaterals are recognised in the loans-and-receivables portfolio as loans and advances to credit institutions and investment firms repayable on demand. Cash collaterals received are included in financial liabilities held on amortised cost and are recognised as demand deposits from credit institutions and investment firms.

Securities collaterals received are not recorded in the statements of financial position. Securities collaterals pledged are recognised in the statement of financial position in the appropriate portfolio (and are presented as assets pledged as collateral for liabilities and contingent liabilities in Note 15).

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 18 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

The table below presents information concerning the fair value of financial assets and liabilities for year 2025:

**Fair value**

	Quoted market price (level 1)	Valuation techniques - observable inputs (level 2)	Valuation techniques -un-observable inputs (level 3)	Total fair value	Total carrying amount	Accumulated difference between FV and carrying amount not recognised in PL or equity	Recognised in other comprehensive income: un- observable input	Recognised in profit or loss un-observable inputs*
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Cash and cash balances with central banks and other demand deposits with credit institutions	94 868	510 131	-	604 999	604 999	-	-	-
Financial assets	1 523 762	208 833	3 614 987	5 347 582	5 427 126	(79 544)	72	1 077
Held for trading	86	41 532	5 064	46 682	46 682	-	-	4 596
Debt securities	86	44	-	130	130	-	-	-
Derivatives	-	41 488	5 064	46 552	46 552	-	-	4 596
Fair value through other comprehensive income	417 966	655	950	419 571	419 571	-	72	-
Equity instruments	99	-	950	1 049	1 049	-	72	-
Debt securities	417 867	655	-	418 522	418 522	-	-	-
Measured at amortised cost	1 105 710	70 690	3 085 724	4 262 124	4 341 668	(79 544)	-	-
Debt securities	1 105 710	43 472	-	1 149 182	1 209 963	(60 781)	-	-
Loans and advances	-	27 218	3 085 724	3 112 942	3 131 705	(18 763)	-	-
Mandatorily at fair value through profit or loss other than held for trading	-	-	523 249	523 249	523 249	-	-	(3 519)
Hedging derivatives	-	95 956	-	95 956	95 956	-	-	-
<b>Total financial assets and cash and cash balances with central banks and other demand deposits with credit institutions</b>	<b>1 618 630</b>	<b>718 964</b>	<b>3 614 987</b>	<b>5 952 581</b>	<b>6 032 125</b>	<b>(79 544)</b>	<b>72</b>	<b>1 077</b>
Financial liabilities	-	42 302	5 111	47 413	47 413	-	-	(4 649)
Held for trading derivatives	-	72 131	-	72 131	72 131	-	-	-
Fair value option	-	56 248	-	56 248	56 248	-	-	-
Deposits	-	15 883	-	15 883	15 883	-	-	-
Issued bonds	-	567 325	4 680 492	5 247 817	5 285 096	37 279	-	-
Measured at amortised cost	-	529 700	4 645 515	5 175 215	5 212 722	37 507	-	-
Deposits	-	37 625	230	37 855	37 628	(227)	-	-
Debt certificates	-	-	34 747	34 747	34 746	(1)	-	-
Other	-	75 041	-	75 041	75 041	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>756 799</b>	<b>4 685 603</b>	<b>5 442 402</b>	<b>5 479 681</b>	<b>37 279</b>	<b>-</b>	<b>(4 649)</b>

\*Recognised as Net gains / (losses) from financial instruments at fair value through profit or loss in the income statement.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 18 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)**

The table below presents information concerning the fair value of financial assets and liabilities for year 2024:

**Fair value**

	Quoted market price	Valuation techniques - observable inputs	Valuation techniques -un- observable inputs	Total fair value	Total carrying amount	Accumulated difference between FV and carrying amount not recognised in PL or equity	Recognised in other comprehensive income: un- observable input	Recognised in profit or loss un- observable inputs*
	(level 1)	(level 2)	(level 3)					
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Cash and cash balances with central banks and other demand deposits with credit institutions	89 885	925 543	-	1 015 428	1 015 428	-	-	-
Financial assets	1 348 678	246 678	3 222 959	4 818 315	4 927 870	(109 555)	(143)	9 937
Held for trading	-	50 026	3 167	53 193	53 193	-	-	2 604
Debt securities	-	453	-	453	453	-	-	-
Derivatives	-	49 573	3 167	52 740	52 740	-	-	2 604
Fair value through other comprehensive income	474 572	648	1 450	476 670	476 670	-	(143)	-
Equity instruments	105	-	1 450	1 555	1 555	-	(143)	-
Debt securities	474 467	648	-	475 115	475 115	-	-	-
Measured at amortised cost	874 106	73 811	2 835 466	3 783 383	3 892 938	(109 555)	-	-
Debt securities	874 106	41 479	-	915 585	990 751	(75 166)	-	-
Loans and advances	-	32 332	2 835 466	2 867 798	2 902 187	(34 389)	-	-
Mandatorily at fair value through profit or loss other than held for trading	-	-	382 876	382 876	382 876	-	-	7 333
Hedging derivatives	-	122 193	-	122 193	122 193	-	-	-
<b>Total financial assets and cash and cash balances with central banks and other demand deposits with credit institutions</b>	<b>1 438 563</b>	<b>1 172 221</b>	<b>3 222 959</b>	<b>5 833 743</b>	<b>5 943 298</b>	<b>(109 555)</b>	<b>(143)</b>	<b>9 937</b>
Financial liabilities	-	50 286	3 214	53 500	53 500	-	-	(2 670)
Held for trading derivatives	-	50 286	3 214	53 500	53 500	-	-	(2 670)
Fair value option	-	55 130	-	55 130	55 130	-	-	-
Deposits	-	48 108	-	48 108	48 108	-	-	-
Issued bonds	-	7 022	-	7 022	7 022	-	-	-
Measured at amortised cost	-	630 760	4 473 452	5 104 212	5 157 693	53 481	-	-
Deposits	-	578 951	4 437 927	5 016 878	5 069 843	52 965	-	-
Debt certificates	-	51 809	-	51 809	52 327	518	-	-
Other	-	-	35 525	35 525	35 523	(2)	-	-
Hedging derivatives	-	86 202	-	86 202	86 202	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>822 378</b>	<b>4 476 666</b>	<b>5 299 044</b>	<b>5 352 525</b>	<b>53 481</b>	<b>-</b>	<b>(2 670)</b>

\*Recognised as Net gains / (losses) from financial instruments at fair value through profit or loss in the income statement.

The accompanying notes on pages 12 to 178 are an integral part of these financial statements.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 18 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)**

In 2025 no debt instruments were transferred from Quoted market price to Valuation techniques-market observable inputs category (nor in 2024).

The following evaluation tables present the change in the fair value of financial instruments for which no market observable inputs are available.

Financial assets	Held-for trading-derivatives	Mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Total
	MHUF	MHUF	MHUF	MHUF
Balance as at 31 December 2024	3 167	382 876	809	386 852
Net gains / (losses)				
In profit or loss	4 596	(3 519)	-	1 077
In other comprehensive income	-	-	72	72
Acquisitions	-	173 118	-	173 118
Settlement	(2 699)	(29 226)	(452)	(32 377)
Other	-	-	521	521
Balance as at 31 December 2025	5 064	523 249	950	529 263

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 18 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)**

<b>Financial assets</b>	<b>Held-for trading-derivatives</b>	<b>Mandatorily at fair value through profit or loss</b>	<b>At fair value through other comprehensive income</b>	<b>Total</b>
	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>
Balance as at 31 December 2023	2 910	315 013	1 161	319 084
Net gains / (losses)				
In profit or loss	(4)	7 333	-	7 329
In other comprehensive income	-	-	(143)	(143)
Acquisitions	2 608	83 826	-	86 434
Settlement	(2 347)	(23 327)	(209)	(25 883)
Other	-	31	-	31
Balance as at 31 December 2024	3 167	382 876	809	386 852

<b>Financial liabilities</b>	<b>Held-for-trading derivatives</b>
	<b>MHUF</b>
Balance as at 31 December 2024	3 214
Net (gains) / losses	
In profit or loss	4 649
Acquisitions	-
Settlement	(2 752)
Balance as at 31 December 2025	5 111

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 18 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)**

<b>Financial liabilities</b>	<b>Held-for-trading derivatives MHUF</b>
Balance as at 31 December 2023	2 936
Net (gains) / losses	
In profit or loss	18
Acquisitions	2 652
Settlement	<u>(2 392)</u>
Balance as at 31 December 2024	<u><u>3 214</u></u>

*Fair value of financial instruments*

*Financial instruments at fair value*

Held-for-trading instruments, financial instruments designated at fair value through profit or loss, financial assets mandatorily at fair value through profit or loss, financial assets at fair value through other comprehensive income and hedging derivatives are carried at their fair value.

Financial instruments which have an active market with regularly published price quotations are marked to market. Usually treasury bills, Hungarian government bonds, other listed bonds and listed equity instruments belong to this category, excluding bonus Hungarian government bonds denominated in HUF and some treasury bills. There are no price quotations for Hungarian government bonds denominated in HUF and maturing within 3 months therefore they are valued based on BUBOR yield curve within 3 months maturity.

If there is no active market or quoted prices for a financial instrument then valuation techniques based on observable market parameters are used, such as discounted cash flow analysis or option pricing models. Bonus Hungarian government bonds denominated in HUF, most of the financial liabilities designated at fair value through profit or loss and most of the derivatives are valued based on these techniques, such as currency forwards and swaps, foreign exchange and interest rate options, cross currency- and interest rate swaps and forward rate agreements.

When market parameters are not available, the Bank uses its best estimations and assumptions to determine the relevant circumstances which have to be taken into account during the model valuation. Valuation techniques based on unobservable market parameters are used in case of held-for-trading exotic derivatives.

Exotic derivatives are primarily revalued by built-in models of the front office system using market observable parameters. For which no system model exists, there are two alternatives; (1) position is either back-to-back hedged, and the Bank accepts the hedging partner prices (when hedging bank acts as valuation agent) or (2) valuation is based on internal model based best estimates (e.g. in case of municipality bonds embedded swaption valuation).

The Bank provides exotic derivatives on back to back basis, accordingly immaterial result is recorded on held-for-trading exotic derivatives in the income statement. From the same reason, applying alternative assumptions for the fair value calculation would cause no result in the income statement.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 18 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)**

The calculation of the fair value of Visa Inc. preferred shares is based on the amount of shares the Bank holds, the conversion rate to Visa Inc. listed shares, the Visa Inc. share price as listed on the New York Stock Exchange and the illiquidity discount. An increase or decrease of 10 bp in the level 3 component (illiquidity gap) of the fair value model of Visa shares increases or decreases the fair value of the shares by 0.11 % (0.11% in 2024).

For determination of the fair value of loan portfolios which failed the IFRS9 SPPI test the Bank applies a discounted cash-flow model for subsequent measurement. The estimates of expected cash-flows are based on stochastic model using historical demographical data. The Bank determines the fair value as the present value of the expected cash-flows to consider the time value and addition factors in the valuation model, such as impact of market rates, liquidity risk, credit risk, cost of capital, operational costs. For sensitivity analysis of the fair value see Note 42.3.

The following describes the methodology and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements.

*FVOCI equity instruments*

FVOCI equity instruments contain as at 31 December 2025 equity instruments in a value of HUF 739 million (HUF 745 million at the end of 2024) where Management believes that the acquisition value best represents the fair value.

Underlying the definition of fair value is the presumption that the Bank is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

*Financial assets and financial liabilities measured at amortised cost*

Debt securities at amortised cost include Hungarian government bonds issued in HUF and EUR. The fair value of Hungarian government bonds denominated in HUF and maturing over 3 months disclosed in this Note is calculated based on regularly quoted market prices, since these instruments have an active market. Hungarian government bonds denominated in HUF and maturing within 3 months are valued based on BUBOR yield curve within 3 months maturity. Hungarian government bonds issued in EUR have an active market with regularly published price quotations and are marked to market.

Bonus Hungarian government bonds denominated in HUF are valued by a valuation technique where the future cash flow is discounted by a curve calculated from IRS curves modified by asset swap and illiquidity spreads. Although illiquidity spread is non-market observable input, due to its immaterial effect in the fair value of the asset the bond is classified as financial instrument valued by valuation techniques – market observable inputs in the fair value hierarchy.

Municipality bonds were issued in HUF. There is an embedded option which assures that the municipality can change the denomination of the bond at any point of time during its duration to EUR or CHF at the spot rate of the conversion date. Nevertheless, the interest spread remains unchanged over the reference rate.

This optionality corresponds to a sold, deferred premium, American type multicurrency differential swaption from the Bank's point of view. Cross-currency swaption of this kind is an instrument for which no market value is available but its intrinsic value can be calculated from available market parameters. The value of the swaption is not material.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 18 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)**

The municipality bond as such can be split to two components which fair values give the total fair value of the bond. The two instruments are (1) bonds and, (2) swaptions. The market value of the bonds is calculated using discounted present value of the future cash flows. The future cash flow of the bond is predicted by the default money market yield curve. The value of swaptions is calculated regularly.

There is no active market for these municipality bonds to get market observable parameters for the revaluation especially for credit spread which is a risk on the top of the Hungarian government bonds. To challenge the fair valuation model, the Bank uses a reasonably possible alternative assumption to increase the applied credit spread.

Municipality bonds did not fail the IFRS 9 SPPI test since the reference interest follows the concerned currency before and after the conversion as well.

For loans and advances and financial liabilities that are liquid or have a short term remaining maturity (less than one year) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity, and variable rate financial instruments.

The estimated fair value of fixed interest bearing deposits with more than one year remaining maturity (carried at amortised cost) is based on discounted cash flows using current interbank market yield curve appropriate for the remaining term to maturity.

The estimated fair value of fixed interest bearing assets with more than one year remaining maturity (carried at amortised cost) is based on discounted cash flows using current interbank market yield curve appropriate for the remaining term to maturity which is adjusted with the average margin of the retail and corporate loan portfolio of the Bank to arrive at the estimated market yield curve of the asset.

The Bank believes that the carrying amount of the impaired loans is the best estimation of their fair value and therefore does not present any unrecognised gain or loss on impaired loans and advances in this Note.

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 19 – FINANCIAL ASSETS MANDATORILY AT FAIR VALUE AND FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2025</u> MHUF	<u>2024</u> MHUF
Loans to customers	523 249	382 876
Total financial assets mandatorily at fair value through profit or loss	<u>523 249</u>	<u>382 876</u>

Loans to customers measured mandatorily at fair value through profit and loss include customer loans which failed the SPPI test due to leverage in the interest rate calculation.

Loans to customers mandatorily at fair value through profit or loss are level 3 instruments in the fair value hierarchy. For loans to customers valued mandatorily at fair value to profit or loss significant unobservable input comprises required returns, coverages of cost and demographic variables if applies. The difference (if material) of the transaction price and the calculated fair value at the date of recognition is recorded in the statement of financial position and is amortised into the profit or loss over the term of the loan.

	<u>2025</u> MHUF	<u>2024</u> MHUF
Term deposits:		
- retail	4 678	5 295
- corporate	51 569	42 813
Other issued bonds	15 884	7 022
Total financial liabilities designated at fair value through profit or loss	<u>72 131</u>	<u>55 130</u>

Included in financial liabilities designated at fair value through profit or loss are retail and corporate term deposits combined with currency options which are accounted for as embedded derivatives. The fair value of the deposits and the options are not separated.

Based on the Bank's treasury policy the long term issued bonds included in financial liabilities designated at fair value through profit or loss are economically hedged by index options.

The amount that the Bank would contractually be required to pay at maturity is HUF 217 million higher than the fair value of the deposits and issued bonds (HUF 759 million higher in 2024).

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 20 – FINANCIAL ASSETS AND LIABILITIES, BREAKDOWN BY PORTFOLIO AND GEOGRAPHIC LOCATION**

The Bank's financial assets and financial liabilities as at 31 December 2025 can be analysed by the following geographical regions.

	Cash balances with central banks and other demand deposit with credit institutions	Held for trading	Designated at fair value through profit or loss	Mandatory fair value through profit or loss	At fair value through other comprehensive income	Amortised cost	Hedging derivatives	Total
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Financial assets								
Hungary	393 710	18 176	-	523 243	419 162	4 093 466	311	5 448 068
EMU countries*	114 170	28 106	-	6	99	246 641	95 512	484 534
East-European countries	857	187	-	-	-	59	-	1 103
Russia	-	-	-	-	-	9	-	9
Ukraine	-	-	-	-	-	3	-	3
Other European countries	11	213	-	-	-	498	133	855
Non-European countries	1 383	-	-	-	310	992	-	2 685
<b>Total</b>	<b>510 131</b>	<b>46 682</b>	<b>-</b>	<b>523 249</b>	<b>419 571</b>	<b>4 341 668</b>	<b>95 956</b>	<b>5 937 257</b>
Financial liabilities								
Hungary	-	14 569	72 072	-	-	4 688 282	-	4 774 923
EMU countries	-	32 487	59	-	-	550 067	74 682	657 295
East-European countries	-	130	-	-	-	33 220	-	33 350
Russia	-	-	-	-	-	2 663	-	2 663
Ukraine	-	-	-	-	-	797	-	797
Other European countries	-	227	-	-	-	3 668	359	4 254
Non-European countries	-	-	-	-	-	6 399	-	6 399
<b>Total</b>	<b>-</b>	<b>47 413</b>	<b>72 131</b>	<b>-</b>	<b>-</b>	<b>5 285 096</b>	<b>75 041</b>	<b>5 479 681</b>

\*Economic and Monetary Union of the European Union

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 20 – FINANCIAL ASSETS AND LIABILITIES, BREAKDOWN BY PORTFOLIO AND GEOGRAPHIC LOCATION (continued)**

The Bank's financial assets and financial liabilities as at 31 December 2024 can be analysed by the following geographical regions.

	Cash balances with central banks and other demand deposit with credit institutions	Held for trading	Designated at fair value through profit or loss	Mandatory fair value through profit or loss	At fair value through other comprehensive income	Amortised cost	Hedging derivatives	Total
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Financial assets								
Hungary	884 514	23 488	-	382 870	475 755	3 679 011	468	5 446 106
EMU countries*	36 471	29 456	-	6	105	212 903	121 484	400 425
East-European countries	83	126	-	-	-	266	-	475
Russia	23	-	-	-	-	14	-	37
Ukraine	-	-	-	-	-	5	-	5
Other European countries	-	123	-	-	-	702	241	1 066
Non-European countries	4 452	-	-	-	810	37	-	5 299
<b>Total</b>	<b>925 543</b>	<b>53 193</b>	<b>-</b>	<b>382 876</b>	<b>476 670</b>	<b>3 892 938</b>	<b>122 193</b>	<b>5 853 413</b>
Financial liabilities								
Hungary	-	11 098	55 048	-	-	4 480 996	-	4 547 142
EMU countries	-	41 951	82	-	-	612 204	85 385	739 622
East-European countries	-	260	-	-	-	41 447	-	41 707
Russia	-	-	-	-	-	2 975	-	2 975
Ukraine	-	-	-	-	-	747	-	747
Other European countries	-	191	-	-	-	12 461	817	13 469
Non-European countries	-	-	-	-	-	6 863	-	6 863
<b>Total</b>	<b>-</b>	<b>53 500</b>	<b>55 130</b>	<b>-</b>	<b>-</b>	<b>5 157 693</b>	<b>86 202</b>	<b>5 352 525</b>

\*Economic and Monetary Union of the European Union

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 21 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY

Stage 1 and stage 2 financial instruments are presented as performing assets in these financial statements, while stage 3 financial instruments are non-performing and credit impaired.

##### **Credit quality per class of financial assets**

The table below presents the credit quality by asset classes as at 31 December 2025:

	Loans and advances mandatorily at fair value through profit or loss			
	Gross carrying amount		Accumulated negative changes in fair value due to credit risk	
	Performing MHUF	Non-performing MHUF	Non-performing MHUF	Total MHUF
Loans and advances at 31 December 2025				
Households	522 513	758	(22)	523 249
Consumer credit	300 690	630	-	301 320
Mortgage loan	221 823	128	(22)	221 929
Total	522 513	758	(22)	523 249

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 21 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY (continued)**

The table below presents the credit quality by asset classes as at 31 December 2024:

**Loans and advances mandatorily at fair value through profit or loss**

	<b>Gross carrying amount</b>		<b>Accumulated negative changes in fair value due to credit risk</b>	<b>Total</b>
	<b>Performing</b>	<b>Non-performing</b>	<b>Non-performing</b>	<b>Total</b>
	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>
Loans and advances at 31 December 2024				
Households	382 332	571	(27)	382 876
Consumer credit	259 794	436	-	260 230
Mortgage loan	122 538	135	(27)	122 646
Total	382 332	571	(27)	382 876

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 21 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY (continued)**

	<b>Loans and advances at amortised cost*</b>					
	<b>Gross carrying amount</b>			<b>Accumulated impairment</b>		
	<b>Performing MHUF</b>	<b>Non- performing MHUF</b>	<b>Total MHUF</b>	<b>Performing MHUF</b>	<b>Non- performing MHUF</b>	<b>Total MHUF</b>
Loans and advances at 31 December 2025						
Central bank and credit institutions	1 006 798	-	1 006 798	(84)	-	(84)
General government	155 149	-	155 149	(80)	-	(80)
Corporate	1 544 089	20 029	1 564 118	(5 993)	(7 989)	(13 982)
of which: Small and Medium enterprises	765 354	10 957	776 311	(2 996)	(4 574)	(7 570)
Households	933 690	7 782	941 472	(8 173)	(3 382)	(11 555)
Consumer credit	159 646	2 974	162 620	(2 435)	(1 428)	(3 863)
Credit card	8 373	109	8 482	(264)	(73)	(337)
Current account	12 475	1 483	13 958	(924)	(1 183)	(2 107)
Finance lease	2 057	7	2 064	(1)	(1)	(2)
Mortgage loan	732 060	3 147	735 207	(4 521)	(686)	(5 207)
Term loan	19 079	62	19 141	(28)	(11)	(39)
Total	<u>3 639 726</u>	<u>27 811</u>	<u>3 667 537</u>	<u>(14 330)</u>	<u>(11 371)</u>	<u>(25 701)</u>

\*The table includes the net carrying amount of loans and advances at amortised cost and cash balances with central banks and other demand deposits to credit institutions.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 21 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY (continued)**

	Loans and advances at amortised cost*					
	Gross carrying amount			Accumulated impairment		
	Performing MHUF	Non- performing MHUF	Total MHUF	Performing MHUF	Non- performing MHUF	Total MHUF
Loans and advances at 31 December 2024						
Central bank and credit institutions	1 368 093	-	1 368 093	(59)	-	(59)
General government	139 597	-	139 597	(50)	-	(50)
Corporate	1 469 622	23 706	1 493 328	(4 368)	(8 765)	(13 133)
of which: Small and Medium enterprises	813 724	11 291	825 015	(2 624)	(4 350)	(6 974)
Households	844 634	8 418	853 052	(9 622)	(3 476)	(13 098)
Consumer credit	129 302	3 130	132 432	(2 640)	(1 512)	(4 152)
Credit card	7 124	48	7 172	(105)	(32)	(137)
Current account	7 978	1 049	9 027	(520)	(867)	(1 387)
Finance lease	1 738	11	1 749	(2)	(3)	(5)
Mortgage loan	677 828	4 039	681 867	(6 274)	(1 043)	(7 317)
Term loan	20 664	141	20 805	(81)	(19)	(100)
Total	<u>3 821 946</u>	<u>32 124</u>	<u>3 854 070</u>	<u>(14 099)</u>	<u>(12 241)</u>	<u>(26 340)</u>

\*The table includes the net carrying amount of loans and advances at amortised cost and cash balances with central banks and other demand deposits to credit institutions.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 21 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY (continued)**

**Aging analysis of loans per class of financial assets**

	Loans and advances*							Total MHUF
	Performing				Non-performing			
	Not past due MHUF	Past due ≤ 30 days MHUF	Past due > 30 days ≤ 90 days MHUF	Past due > 90 days MHUF	Past due ≤ 30 days MHUF	Past due > 30 days ≤ 90 days MHUF	Past due > 90 days MHUF	
Loans and advances at 31 December 2025								
Central bank and credit institutions	1 006 714	-	-	-	-	-	-	1 006 714
General government	155 064	5	-	-	-	-	-	155 069
Corporate	1 525 365	12 347	154	230	8 363	936	2 741	1 550 136
of which: Small and Medium enterprises	752 189	9 904	118	147	2 706	936	2 741	768 741
Households	1 427 125	17 597	2 641	667	2 362	462	2 312	1 453 166
Consumer credit	449 031	7 268	1 419	183	869	224	1 083	460 077
Credit card	7 862	203	36	8	5	1	30	8 145
Current account	7 577	3 538	165	271	51	9	240	11 851
Finance lease	1 793	263	-	-	-	6	-	2 062
Mortgage loan	941 947	6 201	1 009	205	1 411	216	940	951 929
Term loan	18 915	124	12	-	26	6	19	19 102
<b>Total</b>	<b>4 114 268</b>	<b>29 949</b>	<b>2 795</b>	<b>897</b>	<b>10 725</b>	<b>1 398</b>	<b>5 053</b>	<b>4 165 085</b>

\*The table includes the net carrying amount of loans and advances mandatorily at fair value through profit or loss and at amortised cost, and cash balances with central banks and other demand deposits to credit institutions.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 21 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY (continued)**

Past due assets include those that are past due even by one day.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 21 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY (continued)**

	Loans and advances*							Total MHUF
	Performing				Non-performing			
	Not past due MHUF	Past due <= 30 days MHUF	Past due > 30 days <= 90 days MHUF	Past due > 90 days MHUF	Past due <= 30 days MHUF	Past due > 30 days <= 90 days MHUF	Past due > 90 days MHUF	
Loans and advances at 31 December 2024								
Central bank and credit institutions	1 368 034	-	-	-	-	-	-	1 368 034
General government	139 547	-	-	-	-	-	-	139 547
Corporate	1 463 189	1 825	120	120	12 809	339	1 793	1 480 195
of which: Small and Medium enterprises	809 419	1 511	91	79	4 810	339	1 792	818 041
Households	1 199 743	15 090	2 059	452	2 712	577	2 197	1 222 830
Consumer credit	378 361	6 709	1 204	182	917	196	941	388 510
Credit card	6 858	148	12	1	5	1	10	7 035
Current account	6 865	394	72	127	35	22	125	7 640
Finance lease	1 716	20	-	-	3	4	1	1 744
Mortgage loan	786 271	6 926	756	139	1 646	352	1 106	797 196
Term loan	19 672	893	15	3	106	2	14	20 705
<b>Total</b>	<b>4 170 513</b>	<b>16 915</b>	<b>2 179</b>	<b>572</b>	<b>15 521</b>	<b>916</b>	<b>3 990</b>	<b>4 210 606</b>

\*The table includes the net carrying amount of loans and advances mandatorily at fair value through profit or loss and at amortised cost, and cash balances with central banks and other demand deposits to credit institutions.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 21 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY (continued)**

**Maximum exposure to credit risk without taking into account of any collateral and credit enhancements**

The table below presents the maximum exposure to credit risk for the components of the statement of financial position, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	<b>2025</b>	<b>2024</b>
	<b>MHUF</b>	<b>MHUF</b>
Debt instruments	1 628 615	1 466 319
Loans and advances*	4 259 953	4 300 491
Derivatives	142 508	174 933
Other assets	89 370	50 111
	<hr/>	<hr/>
Total assets	6 120 446	5 991 854
	<hr/>	<hr/>
Commitments to extend credit	1 266 081	984 131
Guarantees	966	1 126
Letters of credit	505 928	514 656
	<hr/>	<hr/>
Total commitments and contingent liabilities	1 772 975	1 499 914
	<hr/>	<hr/>
Total credit exposure	<u>7 893 421</u>	<u>7 491 767</u>

\*Including also cash and cash balances with central banks and other demand deposits to credit institutions.

The amounts shown above represent the current credit risk exposure, which may change over time as a result of changes in values (derivative financial instruments, financial investments, etc.) and changes in FX rates (due to FCY lending). The effect of collateral and other risk mitigation techniques is shown in Note 42.4.

**Risk concentration of the maximum exposure to credit risk**

Concentration of risk is managed by client/client group and by industry sector. The maximum credit exposure to any client or counterparty (excluding Hungarian Government) as of 31 December 2025 was HUF 111 772 million (HUF 103 345 million as of 31 December 2024) before taking account of any collateral or other credit enhancements.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 21 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY (continued)**

	<b>Gross carrying amount transfers between impairment stages</b>						
	<b>From Stage 1 to Stage 2</b>	<b>From Stage 2 to Stage 1</b>	<b>From Stage 2 to Stage 3</b>	<b>From Stage 3 to Stage 2</b>	<b>From Stage 1 to Stage 3</b>	<b>From Stage 3 to Stage 1</b>	<b>Total</b>
	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>
Loans and advances at 31 December 2025*							
Central bank and credit institutions	-	-	-	-	-	-	-
General government	2 065	-	-	-	-	-	2 065
Corporate	33 387	22 042	2 245	491	239	-	58 404
of which: Small and Medium enterprises	24 804	19 209	2 245	175	239	-	46 672
Households	70 937	80 314	2 418	914	794	88	155 465
Consumer credit	4 190	6 502	1 284	272	559	27	12 834
Credit card	231	439	13	13	10	-	706
Current account	991	1 528	501	31	58	8	3 117
Finance lease	205	93	-	-	-	-	298
Mortgage loan	64 523	69 585	597	532	154	53	135 444
Term loan	797	2 167	23	66	13	-	3 066
<b>Total</b>	<b>106 389</b>	<b>102 356</b>	<b>4 663</b>	<b>1 405</b>	<b>1 033</b>	<b>88</b>	<b>215 934</b>
Loan commitments	52 984	8 616	30	321	46	11	62 008
Financial guarantees	7 207	3 624	48	-	15	-	10 894
Other commitments	-	-	-	-	-	-	-
<b>Total</b>	<b>60 191</b>	<b>12 240</b>	<b>78</b>	<b>321</b>	<b>61</b>	<b>11</b>	<b>72 902</b>

\*The table includes the gross carrying amount of loans and advances at amortised cost.

The table shows year-to-year stage transfers.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 21 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY (continued)**

	Gross carrying amount transfers between impairment stages						Total MHUF
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1	
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	
Loans and advances at 31 December 2024*							
Central bank and credit institutions	-	1	-	-	-	-	1
General government	4	985	-	1	-	-	990
Corporate	52 337	174 531	1 152	617	1 429	-	230 066
of which: Small and Medium enterprises	36 893	118 042	1 152	463	1 429	-	157 979
Households	57 204	22 068	1 468	12 634	937	111	94 422
Consumer credit	41 378	643	821	2 245	680	26	45 793
Credit card	227	142	10	48	12	2	441
Current account	1 088	620	142	754	27	6	2 637
Finance lease	212	571	1	-	-	-	784
Mortgage loan	10 220	18 590	486	9 570	122	75	39 063
Term loan	4 079	1 502	8	17	96	2	5 704
Total	109 545	197 585	2 620	13 252	2 366	111	325 479
Loan commitments	13 415	58 299	32	101	54	16	71 917
Financial guarantees	-	-	-	-	-	-	-
Other commitments	11 174	80 965	537	12	138	-	92 826
Total	24 589	139 264	569	113	192	16	164 743

\*The table includes the gross carrying amount of loans and advances at amortised cost.

The table shows year-to-year stage transfers.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 22 – IMPAIRMENT ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

The Bank recorded an additional impairment of HUF 18 million on debt securities at fair value through other comprehensive income in 2025 (HUF 154 million in 2024).

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 23 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS**

	Changes recorded in the income statement including derecognition due to sales							Other changes			Closing balance MHUF	
	Opening balance MHUF	Incr. due to origin. MHUF	Decr. due to derecog. MHUF	Chg in cr. risk – no stage transfers MHUF	Chg in cr. risk – transf. from stage 1 MHUF	Chg in cr. risk – transf. from stage 2 MHUF	Chg in cr. risk – transf. from stage 3 MHUF	Chg due to modif. MHUF	Decr. due to write-offs MHUF	Other MHUF		Transl. diff. MHUF
<b>Impairment on financial assets at amortised cost classified as stage 1 at 31 December 2025</b>												
Debt securities												
General government	486	199	(37)	30	-	-	-	-	-	(5)	-	673
Corporate	27	2	-	15	-	3	-	-	-	1	-	48
<b>Total impairment on debt securities</b>	<b>513</b>	<b>201</b>	<b>(37)</b>	<b>45</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>721</b>
Loans and advances*												
Central bank and credit institutions	59	29	(13)	11	-	-	-	-	-	(2)	-	84
General government	50	24	(17)	3	(3)	-	-	-	-	(1)	-	56
Corporate	2 506	1 255	(487)	(246)	(121)	43	-	-	-	(48)	(69)	2 833
of which: Small and Medium enterprises	1 367	411	(189)	(198)	(90)	29	-	-	-	(12)	(33)	1 285
Households	3 489	423	(482)	135	(2 689)	79	5	-	-	(20)	-	940
of which: POCI	-	-	-	-	-	-	-	-	-	-	-	-
Consumer credit	402	355	(240)	107	(76)	37	3	-	-	(3)	-	585
Credit card	39	-	(1)	20	(2)	4	-	-	-	(1)	-	59
Current account	18	-	(1)	13	(4)	11	-	-	-	1	-	38
Finance lease	-	-	-	-	-	-	-	-	-	1	-	1
Mortgage loan	3 019	68	(240)	-	(2 606)	27	2	-	-	(21)	-	249
Term loan	11	-	-	(5)	(1)	-	-	-	-	3	-	8
<b>Total impairment on loans and advances</b>	<b>6 104</b>	<b>1 731</b>	<b>(999)</b>	<b>(97)</b>	<b>(2 813)</b>	<b>122</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>(71)</b>	<b>(69)</b>	<b>3 913</b>

\*Also including cash balances with central banks and other demand deposits to credit institutions.

Decrease due to derecognition includes also the reversal of impairments used for decreasing the realized loss resulting from sold financial assets therefore a part of the decrease has no impact on profit or loss.

SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 23 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)**

	Changes recorded in the income statement including derecognition due to sales							Other changes			Closing balance MHUF	
	Opening balance MHUF	Incr. due to origin. MHUF	Decr. due to derecog. MHUF	Chg in cr. risk – no stage transfers MHUF	Chg in cr. risk – transf. from stage 1 MHUF	Chg in cr. risk – transf. from stage 2 MHUF	Chg in cr. risk – transf. from stage 3 MHUF	Chg due to modif. MHUF	Decr. due to write-offs MHUF	Other MHUF		Transl. diff. MHUF
<b>Impairment on financial assets at amortised cost classified as stage 2 at 31 December 2025</b>												
Debt securities												
General government	-	-	-	-	-	-	-	-	-	-	-	-
Corporate	211	-	-	(68)	-	(14)	-	-	-	-	-	129
<b>Total impairment on debt securities</b>	<b>211</b>	<b>-</b>	<b>-</b>	<b>(68)</b>	<b>-</b>	<b>(14)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>129</b>
Loans and advances*												
Central bank and credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	23	-	-	-	-	1	-	24
Corporate	1 918	669	(321)	660	616	(281)	1	(176)	(149)	258	(35)	3 160
of which: Small and Medium enterprises	1 257	276	(214)	315	13	(274)	-	(24)	(99)	486	(25)	1 711
Households	6 330	439	(1 569)	427	2 764	(1 046)	7	5	(81)	(41)	(2)	7 233
of which: POCI	73	-	-	-	-	-	-	-	-	(17)	-	56
Consumer credit	2 435	418	(1 090)	311	379	(419)	42	-	(11)	(215)	-	1 850
Credit card	66	-	(10)	148	30	(29)	1	-	(1)	-	-	205
Current account	502	-	(113)	534	89	(111)	9	6	(22)	(7)	(1)	886
Finance lease	2	-	-	(1)	-	-	-	-	-	(1)	-	-
Mortgage loan	3 255	20	(356)	(553)	2 263	(481)	(46)	(1)	(47)	218	-	4 272
Term loan	70	1	-	(12)	3	(6)	1	-	-	(36)	(1)	20
<b>Total impairment on loans and advances</b>	<b>8 248</b>	<b>1 108</b>	<b>(1 890)</b>	<b>1 087</b>	<b>3 403</b>	<b>(1 327)</b>	<b>8</b>	<b>(171)</b>	<b>(230)</b>	<b>218</b>	<b>(37)</b>	<b>10 417</b>

\*Also including cash balances with central banks and other demand deposits to credit institutions.

Decrease due to derecognition includes also the reversal of impairments used for decreasing the realized loss resulting from sold financial assets therefore a part of the decrease has no impact on profit or loss.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 23 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)**

	Changes recorded in the income statement including derecognition due to sales							Other changes			Closing balance MHUF	
	Opening balance MHUF	Incr. due to origin. MHUF	Decr. due to derecog. MHUF	Chg in cr. risk – no stage transfers MHUF	Chg in cr. risk – transf. from stage 1 MHUF	Chg in cr. risk – transf. from stage 2 MHUF	Chg in cr. risk – transf. from stage 3 MHUF	Chg due to modif. MHUF	Decr. due to write-offs MHUF	Other MHUF		Transl. diff. MHUF
<b>Impairment on financial assets at amortised cost classified as stage 3 at 31 December 2025</b>												
Debt securities												
General government	-	-	-	-	-	-	-	-	-	-	-	-
Corporate	681	-	-	73	-	-	-	-	-	-	-	754
<b>Total impairment on debt securities</b>	<b>681</b>	<b>-</b>	<b>-</b>	<b>73</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>754</b>
<b>Loans and advances*</b>												
Central bank and credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-	-	-	-
Corporate	8 765	-	(513)	219	95	400	(109)	130	(65)	(582)	(351)	7 989
of which: Small and Medium enterprises	4 350	-	(506)	635	95	400	(40)	(35)	(65)	(128)	(132)	4 574
Households	3 476	-	(1 668)	404	355	956	(280)	3	(50)	192	(6)	3 382
of which: POCI	193	-	(89)	(25)	-	(32)	44	-	3	41	-	135
Consumer credit	1 512	-	(945)	83	262	515	(104)	1	(23)	127	-	1 428
Credit card	32	-	(13)	49	7	8	(9)	-	(2)	1	-	73
Current account	867	-	(396)	345	40	365	(24)	-	(25)	17	(6)	1 183
Finance lease	3	-	-	(1)	-	-	-	-	-	(1)	-	1
Mortgage loan	1 043	-	(310)	(71)	42	66	(138)	2	-	52	-	686
Term loan	19	-	(4)	(1)	4	2	(5)	-	-	(4)	-	11
<b>Total impairment on loans and advances</b>	<b>12 241</b>	<b>-</b>	<b>(2 181)</b>	<b>623</b>	<b>450</b>	<b>1 356</b>	<b>(389)</b>	<b>133</b>	<b>(115)</b>	<b>(390)</b>	<b>(357)</b>	<b>11 371</b>

\*Also including cash balances with central banks and other demand deposits to credit institutions.

Decrease due to derecognition includes also the reversal of impairments used for decreasing the realized loss resulting from sold financial assets therefore a part of the decrease has no impact on profit or loss.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 23 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)**

	Changes recorded in the income statement including derecognition due to sales							Other changes			Closing balance MHUF	
	Opening balance MHUF	Incr. due to origin. MHUF	Decr. due to derecog. MHUF	Chg in cr. risk – no stage transfers MHUF	Chg in cr. risk – transf. from stage 1 MHUF	Chg in cr. risk – transf. from stage 2 MHUF	Chg in cr. risk – transf. from stage 3 MHUF	Chg due to modif. MHUF	Decr. due to write-offs MHUF	Other MHUF		Transl. diff. MHUF
<b>Impairment on financial assets at amortised cost classified as stage 1 at 31 December 2024</b>												
Debt securities												
General government	479	26	(16)	(7)	-	-	-	-	-	4	-	486
Corporate	27	-	-	(9)	(9)	19	-	-	-	(1)	-	27
<b>Total impairment on debt securities</b>	<b>506</b>	<b>26</b>	<b>(16)</b>	<b>(16)</b>	<b>(9)</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>513</b>
Loans and advances*												
Central bank and credit institutions	99	12	(16)	(36)	-	-	-	-	-	-	-	59
General government	286	12	(30)	(224)	-	-	-	-	-	6	-	50
Corporate	5 135	750	(651)	(2 895)	(456)	439	-	(18)	(14)	156	60	2 506
of which: Small and Medium enterprises	3 333	324	(368)	(1 812)	(332)	264	-	(18)	(6)	(56)	38	1 367
Households	3 311	326	(552)	344	(319)	453	6	(3)	(4)	(73)	-	3 489
of which: POCI	-	-	-	-	-	-	-	-	-	-	-	-
Consumer credit	311	269	(357)	339	(172)	15	3	-	(2)	(4)	-	402
Credit card	39	-	(1)	3	(3)	1	-	-	-	-	-	39
Current account	27	-	(1)	-	(8)	5	-	(1)	(2)	(2)	-	18
Finance lease	10	-	(4)	(3)	(3)	-	-	-	-	-	-	-
Mortgage loan	2 683	57	(189)	123	(78)	431	3	-	-	(11)	-	3 019
Term loan	241	-	-	(118)	(55)	1	-	(2)	-	(56)	-	11
<b>Total impairment on loans and advances</b>	<b>8 831</b>	<b>1 100</b>	<b>(1 249)</b>	<b>(2 811)</b>	<b>(775)</b>	<b>892</b>	<b>6</b>	<b>(21)</b>	<b>(18)</b>	<b>89</b>	<b>60</b>	<b>6 104</b>

\* Also including cash balances with central banks and other demand deposits to credit institutions.

Decrease due to derecognition includes also the reversal of impairments used for decreasing the realized loss resulting from sold financial assets therefore a part of the decrease has no impact on profit or loss.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 23 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)**

	Changes recorded in the income statement including derecognition due to sales							Other changes			Closing balance MHUF	
	Opening balance MHUF	Incr. due to origin. MHUF	Decr. due to derecog. MHUF	Chg in cr. risk – no stage transfers MHUF	Chg in cr. risk – transf. from stage 1 MHUF	Chg in cr. risk – transf. from stage 2 MHUF	Chg in cr. risk – transf. from stage 3 MHUF	Chg due to modif. MHUF	Decr. due to write-offs MHUF	Other MHUF		Transl. diff. MHUF
<b>Impairment on financial assets at amortised cost classified as stage 2 at 31 December 2024</b>												
Debt securities												
General government	-	-	-	-	-	-	-	-	-	-	-	-
Corporate	602	-	-	18	77	(487)	-	-	-	1	-	211
<b>Total impairment on debt securities</b>	<b>602</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>77</b>	<b>(487)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>211</b>
Loans and advances*												
Central bank and credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
General government	15	-	-	-	-	(13)	-	-	-	(2)	-	-
Corporate	5 540	59	(667)	(395)	423	(3 149)	51	(46)	(58)	96	64	1 918
of which: Small and Medium enterprises	4 293	50	(427)	(230)	-	(2 762)	24	(46)	(42)	361	36	1 257
Households	6 633	448	(1 332)	(677)	1 558	(700)	580	(12)	(195)	26	1	6 330
of which: POCI	-	-	-	-	-	-	73	-	-	-	-	73
Consumer credit	1 251	411	(700)	255	1 152	(16)	186	-	(9)	(95)	-	2 435
Credit card	56	-	(5)	3	26	(17)	2	-	-	1	-	66
Current account	372	-	(134)	196	94	(51)	53	(3)	(34)	8	1	502
Finance lease	31	-	(1)	(5)	1	(22)	-	(2)	-	-	-	2
Mortgage loan	4 824	15	(478)	(1 066)	274	(575)	339	-	(152)	74	-	3 255
Term loan	99	22	(14)	(60)	11	(19)	-	(7)	-	38	-	70
<b>Total impairment on loans and advances</b>	<b>12 188</b>	<b>507</b>	<b>(1 999)</b>	<b>(1 072)</b>	<b>1 981</b>	<b>(3 862)</b>	<b>631</b>	<b>(58)</b>	<b>(253)</b>	<b>120</b>	<b>65</b>	<b>8 248</b>

\*Also including cash balances with central banks and other demand deposits to credit institutions.

Decrease due to derecognition includes also the reversal of impairments used for decreasing the realized loss resulting from sold financial assets therefore a part of the decrease has no impact on profit or loss.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 23 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)**

Changes recorded in the income statement including derecognition due to sales

Other changes

	Opening balance MHUF	Incr. due to origin. MHUF	Decr. due to derecog. MHUF	Chg in cr. risk – no stage transfers MHUF	Chg in cr. risk – transf. from stage 1 MHUF	Chg in cr. risk – transf. from stage 2 MHUF	Chg in cr. risk – transf. from stage 3 MHUF	Chg due to modif. MHUF	Decr. due to write- offs MHUF	Other MHUF	Transl. diff. MHUF	Closing balance MHUF
<b>Impairment on financial assets at amortised cost classified as stage 3 at 31 December 2024</b>												
Debt securities												
General government	-	-	-	-	-	-	-	-	-	-	-	-
Corporate	699	-	-	(17)	-	-	-	-	-	(1)	-	681
<b>Total impairment on debt securities</b>	<b>699</b>	<b>-</b>	<b>-</b>	<b>(17)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>681</b>
Loans and advances*												
Central bank and credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-	-	-	-
Corporate	9 421	-	(614)	(431)	205	474	(76)	(19)	(84)	(459)	348	8 765
of which: Small and Medium enterprises	4 458	-	(234)	(141)	205	474	(48)	28	(77)	(403)	88	4 350
Households	6 353	-	(2 036)	778	353	524	(2 454)	6	(110)	57	5	3 476
of which: POCI	262	-	(122)	(34)	-	-	-	-	(12)	99	-	193
Consumer credit	2 109	-	(927)	391	307	335	(772)	5	(50)	114	-	1 512
Credit card	103	-	(46)	2	8	7	(38)	-	(3)	(1)	-	32
Current account	889	-	(466)	485	16	111	(116)	-	(33)	(24)	5	867
Finance lease	50	-	(46)	-	-	-	-	-	-	(1)	-	3
Mortgage loan	3 189	-	(551)	(94)	16	69	(1 528)	1	(24)	(35)	-	1 043
Term loan	13	-	-	(6)	6	2	-	-	-	4	-	19
<b>Total impairment on loans and advances</b>	<b>15 774</b>	<b>-</b>	<b>(2 650)</b>	<b>347</b>	<b>558</b>	<b>998</b>	<b>(2 530)</b>	<b>(13)</b>	<b>(194)</b>	<b>(402)</b>	<b>353</b>	<b>12 241</b>

\*Also including cash balances with central banks and other demand deposits to credit institutions.

Decrease due to derecognition includes also the reversal of impairments used for decreasing the realized loss resulting from sold financial assets therefore a part of the decrease has no impact on profit or loss. In case of stage 2 and stage 3 the column increase due to origination represents newly recognised impairment on assets originated in the period where the quality of the asset became worse within the year.

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### **NOTE 23 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)**

The gross carrying amount of loans written-off amounted to HUF 353 million in 2025 (HUF 473 million in 2024).

The gross carrying amount of loans and advances which were sold by the Bank amounted to HUF 3 976 million in 2025 (HUF 4 604 million in 2024). The Bank recorded a HUF 2 627 million income on the disposals (HUF 2 842 million in 2024). The loans were mostly retail consumer credits in 2025 (and in 2024).

Stage transfers show shifts between stages having impact on profit or loss. 'Stage transfers from' columns decrease the balance of impairments in the old stage category and increase the balance in the new stage category.

The breakdown of impairments on cash balances with central banks and other demand deposits to credit institutions and financial assets at amortised cost recorded in the income statement is presented below.

	<u>Stage 1</u> MHUF	<u>Stage 2</u> MHUF	<u>Stage 3</u> MHUF	<u>Total</u> MHUF
Changes in impairment on financial assets at amortised cost in 2025				
Debt securities				
General government	(192)	-	-	(192)
Corporate	(20)	82	(73)	(11)
Total impairment on debt securities	(212)	82	(73)	(203)
Loans and advances*				
Central bank and credit institutions	(27)	-	-	(27)
General government	(7)	(23)	-	(30)
Corporate	(444)	(1 168)	(222)	(1 834)
of which: Small and Medium enterprises	37	(92)	(549)	(604)
Households	2 529	(1 027)	230	1 732
of which: POCI	-	-	102	102
Consumer credit	(186)	359	188	361
Credit card	(21)	(140)	(42)	(203)
Current account	(19)	(414)	(330)	(763)
Finance lease	-	1	1	2
Mortgage loan	2 749	(846)	409	2 312
Term loan	6	13	4	23
Total changes recorded in the income statement including derecognition due to sales	1 839	(2 136)	(65)	(362)
Derecognition due to sales	176	970	1 305	2 451
Total impairment result	<u>1 663</u>	<u>(3 106)</u>	<u>(1 370)</u>	<u>(2 813)</u>

\*Also including cash balances with central banks and other demand deposits to credit institutions.

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 23 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)**

	<u>Stage 1</u> <u>MHUF</u>	<u>Stage 2</u> <u>MHUF</u>	<u>Stage 3</u> <u>MHUF</u>	<u>Total</u> <u>MHUF</u>
Changes in impairment on financial assets at amortised cost in 2025				
Debt securities				
General government	(3)	-	-	(3)
Corporate	(1)	392	17	408
Total impairment on debt securities	(4)	392	17	405
Loans and advances*				
Central bank and credit institutions	40	-	-	40
General government	242	13	-	255
Corporate	2 831	3 780	461	7 072
of which: Small and Medium enterprises	1 942	3 391	(284)	5 049
Households	(255)	332	2 829	2 906
of which: POCI	-	(73)	156	83
Consumer credit	(97)	(1 091)	661	(527)
Credit card	-	(9)	67	58
Current account	5	(155)	(30)	(180)
Finance lease	10	29	46	85
Mortgage loan	(347)	1 491	2 087	3 231
Term loan	174	67	(2)	239
Total changes recorded in the income statement including derecognition due to sales	2 854	4 517	3 307	10 678
Derecognition due to sales	314	784	2 063	3 161
Total impairment result	<u>2 540</u>	<u>3 733</u>	<u>1 244</u>	<u>7 517</u>

\*Also including cash balances with central banks and other demand deposits to credit institutions.

SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)

	Changes recorded in the income statement as impairment							Other changes				
	Opening balance MHUF	Incr. due to origin. MHUF	Decr. due to derecog. MHUF	Chg in cr. risk – no stage transfers MHUF	Chg in cr. risk – transf. fr. stage 1 MHUF	Chg in cr. risk – transf. fr. stage 2 MHUF	Chg in cr. risk – transf. fr. stage 3 MHUF	Chg due to modif. MHUF	Decr. due to write-offs MHUF	Other MHUF	Transl. diff. MHUF	Closing balance MHUF
<b>Impairment on loan commitments and guarantees classified as stage 1 at 31 December 2025</b>												
Loan commitments	520	493	(301)	342	(22)	14	-	-	-	(32)	-	1 014
Financial guarantees	2	398	-	(398)	-	-	-	-	-	-	-	2
Other commitments	253	-	-	161	-	-	-	-	-	-	-	414
<b>Total</b>	<b>775</b>	<b>891</b>	<b>(301)</b>	<b>105</b>	<b>(22)</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32)</b>	<b>-</b>	<b>1 430</b>

	Changes recorded in the income statement as impairment							Other changes				
	Opening balance MHUF	Incr. due to origin. MHUF	Decr. due to derecog. MHUF	Chg in cr. risk – no stage transfers MHUF	Chg in cr. risk – transf. fr. stage 1 MHUF	Chg in cr. risk – transf. fr. stage 2 MHUF	Chg in cr. risk – transf. fr. stage 3 MHUF	Chg due to modif. MHUF	Decr. due to write-offs MHUF	Other MHUF	Transl. diff. MHUF	Closing balance MHUF
<b>Impairment on loan commitments and guarantees classified as stage 2 at 31 December 2025</b>												
Loan commitments	297	372	(64)	(256)	161	(77)	5	(1)	-	422	-	859
Financial guarantees	-	132	-	(132)	-	-	-	-	-	-	-	-
Other commitments	139	-	-	(7)	-	-	-	-	-	-	-	132
<b>Total</b>	<b>436</b>	<b>504</b>	<b>(64)</b>	<b>(395)</b>	<b>161</b>	<b>(77)</b>	<b>5</b>	<b>(1)</b>	<b>-</b>	<b>422</b>	<b>-</b>	<b>991</b>

K&H BANK ZRT.

SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)

	Changes recorded in the income statement as impairment							Other changes			Closing balance MHUF	
	Opening balance MHUF	Incr. due to origin. MHUF	Decr. due to derecog. MHUF	Chg in cr. risk – no stage transfers MHUF	Chg in cr. risk – transf. fr. stage 1 MHUF	Chg in cr. risk – transf. fr. stage 2 MHUF	Chg in cr. risk – transf. fr. stage 3 MHUF	Chg due to modif. MHUF	Decr. due to write-offs MHUF	Other MHUF		Transl. diff. MHUF
Impairment on loan commitments and guarantees classified as stage 3 at 31 December 2025												
Loan commitments	109	-	(522)	528	-	-	(81)	-	-	(18)	-	16
Financial guarantees	24	-	-	(24)	-	-	-	-	-	-	-	-
Other commitments	952	-	-	(601)	-	-	-	-	-	-	-	351
<b>Total</b>	<b>1 085</b>	<b>-</b>	<b>(522)</b>	<b>(97)</b>	<b>-</b>	<b>-</b>	<b>(81)</b>	<b>-</b>	<b>-</b>	<b>(18)</b>	<b>-</b>	<b>367</b>

SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)

	Changes recorded in the income statement as impairment							Other changes			Closing balance	
	Opening balance	Incr. due to origin.	Decr. due to derecog.	Chg in cr. risk – no stage transfers	Chg in cr. risk – transf. fr. stage 1	Chg in cr. risk – transf. fr. stage 2	Chg in cr. risk – transf. fr. stage 3	Chg due to modif.	Decr. due to write-offs	Other		Transl. diff.
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
<b>Impairment on loan commitments and guarantees classified as stage 1 at 31 December 2024</b>												
Loan commitments	1 217	246	(1 036)	13	(14)	94	-	-	-	-	-	520
Financial guarantees	7	-	-	(5)	-	-	-	-	-	-	-	2
Other commitments	76	159	(52)	15	(16)	39	-	-	-	32	-	253
<b>Total</b>	<b>1 300</b>	<b>405</b>	<b>(1 088)</b>	<b>23</b>	<b>(30)</b>	<b>133</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32</b>	<b>-</b>	<b>775</b>

	Changes recorded in the income statement as impairment							Other changes			Closing balance	
	Opening balance	Incr. due to origin.	Decr. due to derecog.	Chg in cr. risk – no stage transfers	Chg in cr. risk – transf. fr. stage 1	Chg in cr. risk – transf. fr. stage 2	Chg in cr. risk – transf. fr. stage 3	Chg due to modif.	Decr. due to write-offs	Other		Transl. diff.
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
<b>Impairment on loan commitments and guarantees classified as stage 2 at 31 December 2024</b>												
Loan commitments	438	81	(189)	(5)	118	(166)	-	-	-	20	-	297
Financial guarantees	2	-	-	(2)	-	-	-	-	-	-	-	-
Other commitments	206	5	(66)	2	131	(139)	-	-	-	-	-	139
<b>Total</b>	<b>646</b>	<b>86</b>	<b>(255)</b>	<b>(5)</b>	<b>249</b>	<b>(305)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>-</b>	<b>436</b>

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 23 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)**

	Changes recorded in the income statement as impairment							Other changes			Closing balance MHUF	
	Opening balance MHUF	Incr. due to origin. MHUF	Decr. due to derecog. MHUF	Chg in cr. risk – no stage transfers MHUF	Chg in cr. risk – transf. fr. stage 1 MHUF	Chg in cr. risk – transf. fr. stage 2 MHUF	Chg in cr. risk – transf. fr. stage 3 MHUF	Chg due to modif. MHUF	Decr. due to write-offs MHUF	Other MHUF		Transl. diff. MHUF
<b>Impairment on loan commitments and guarantees classified as stage 3 at 31 December 2024</b>												
Loan commitments	166	-	(43)	(14)	-	-	-	-	-	-	-	109
Financial guarantees	-	-	-	24	-	-	-	-	-	-	-	24
Other commitments	897	247	(215)	(251)	52	182	-	-	-	40	-	952
<b>Total</b>	<b>1 063</b>	<b>247</b>	<b>(258)</b>	<b>(241)</b>	<b>52</b>	<b>182</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40</b>	<b>-</b>	<b>1 085</b>

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 23 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)**

The breakdown of provision on loan commitments and guarantees recorded in the income statement in 2025 is presented below.

	<u>Stage 1</u> MHUF	<u>Stage 2</u> MHUF	<u>Stage 3</u> MHUF	<u>Total</u> MHUF
Loan commitments	526	140	(75)	591
Financial guarantees	-	-	(24)	(24)
Other commitments	161	(7)	(601)	(447)
Total	<u>687</u>	<u>133</u>	<u>(700)</u>	<u>120</u>

The breakdown of provision on loan commitments and guarantees recorded in the income statement in 2024 is presented below.

	<u>Stage 1</u> MHUF	<u>Stage 2</u> MHUF	<u>Stage 3</u> MHUF	<u>Total</u> MHUF
Loan commitments	(697)	(161)	(57)	(915)
Financial guarantees	(5)	(2)	24	17
Other commitments	145	(67)	15	93
Total	<u>(557)</u>	<u>(230)</u>	<u>(18)</u>	<u>(805)</u>

	<u>2025</u> MHUF	<u>2024</u> MHUF
Impairment on other		
Intangible assets	(471)	(989)
Investment property	-	-
Property, plant and equipment	(295)	1 507
Other	45	41
Total impairment on other	<u>(721)</u>	<u>559</u>

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS**

	Year ended 31 December 2025				Year ended 31 December 2024			
	Notional amount Assets	Notional amount Liabilities	Positive fair value Assets	Negative fair value Liabilities	Notional amount Assets	Notional amount Liabilities	Positive fair value Assets	Negative fair value Liabilities
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Derivatives held for trading								
Foreign exchange derivatives								
Currency forwards	68 992	69 959	431	(961)	98 957	99 180	994	(392)
Currency swaps	2 244 880	2 243 587	12 820	(12 043)	1 339 867	1 341 143	6 044	(7 411)
Currency options	358 400	412 763	5 289	(5 459)	280 222	280 222	3 334	(3 495)
Total foreign exchange derivatives	2 672 272	2 726 309	18 540	(18 463)	1 719 046	1 720 545	10 372	(11 298)
Interest rate derivatives								
Interest rate swaps	1 413 714	1 413 714	23 686	(27 251)	1 327 500	1 327 500	38 851	(40 052)
Cross currency interest rate swaps	18 395	18 395	380	(309)	23 182	23 182	1 011	(911)
Interest rate options	62 567	62 567	760	(695)	60 844	60 844	1 025	(993)
Total interest rate derivatives	1 494 676	1 494 676	24 826	(28 255)	1 411 526	1 411 526	40 887	(41 956)
Equity options	18 666	2 068	2 991	(508)	8 568	1 068	1 417	(190)
Commodity swaps	2 514	2 514	195	(187)	4 846	4 846	64	(56)
Commodity options	-	-	-	-	-	-	-	-
Total derivatives held for trading	4 188 128	4 225 567	46 552	(47 413)	3 143 986	3 137 985	52 740	(53 500)
Derivatives designated as micro fair value cash								
Interest rate swaps	643 966	643 966	4 110	(16 850)	375 019	375 019	7 566	(3 099)
Derivatives designated as portfolio fair value hedges								
Interest rate swaps	2 147 348	2 147 348	87 936	(49 214)	2 160 332	2 160 332	110 237	(68 772)
Derivatives designated as cash flow hedges								
Interest rate swaps	181 835	181 835	1 582	(8 977)	263 618	263 618	3 155	(14 331)
Cross currency interest rate swaps	10 508	7 758	2 328	-	21 016	18 593	1 235	-
Total derivatives held for hedging	2 983 657	2 980 907	95 956	(75 041)	2 819 985	2 817 562	122 193	(86 202)
Total derivative financial instruments	7 171 785	7 206 474	142 508	(122 454)	5 963 971	5 955 547	174 933	(139 702)

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

The following table presents the hedging instruments and the hedged items under micro fair value hedge in 2025.

	Hedging instruments				Change in fair value of hedging items used as basis for recognising hedge ineffectiveness for the period MHUF	Hedged item			
	Notional amounts		Carrying amount			Carrying amount MHUF	Accumulated fair value adjustments MHUF	Change in fair value of hedged items used as basis for recognising hedge ineffectiveness for the period MHUF	Result on discontinuation of hedge accounting recorded in profit or loss MHUF
	Assets MHUF	Liabilities MHUF	Assets MHUF	Liabilities MHUF					
Interest rate swaps	643 966	643 966	4 110	(16 850)	(9 881)	Debt securities at fair value through other comprehensive income 332 446	3 424	6 166	
						Debt securities at amortised cost 282 277	3 526	3 526	
						Loans and advances at amortised cost 19 265	(3 088)	189	
Total micro fair value hedge	<u>643 966</u>	<u>643 966</u>	<u>4 110</u>	<u>(16 850)</u>	<u>(9 881)</u>	<u>633 988</u>	<u>3 862</u>	<u>9 881</u>	<u>-</u>

SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

The following table presents the hedging instruments and the hedged items under portfolio fair value hedge in 2025.

	Hedging instruments				Change in fair value of hedging items used as basis for recognising hedge ineffectiveness for the period MHUF	Hedged item			Result on discontinuation of hedge accounting recorded in profit or loss MHUF
	Notional amounts		Carrying amount			Carrying amount MHUF	Accumulated fair value adjustments MHUF	Change in fair value of hedged items used as basis for recognising hedge ineffectiveness for the period MHUF	
	Assets MHUF	Liabilities MHUF	Assets MHUF	Liabilities MHUF					
Interest rate swaps	2 147 348	2 147 348	87 936	(49 214)	(1 629)	Debt securities at fair value through other comprehensive income 61 790	(1 510)	1 234	
						Debt securities at amortised cost 310 706	(41 357)	16 064	
						Loans and advances at amortised cost 472 431	(2 861)	6 404	
						Deposits at amortised cost 1 240 063	16 630	(22 073)	
						Discontinued hedges -	1 223	-	
Total portfolio fair value hedge	<u>2 147 348</u>	<u>2 147 348</u>	<u>87 936</u>	<u>(49 214)</u>	<u>(1 629)</u>	<u>2 084 990</u>	<u>(27 875)</u>	<u>1 629</u>	<u>(1 325)</u>

In case of HUF interest rate swaps, the average interest rate on the receiver leg was 5.9% at 31 December 2025 and 5.9% average interest rate was paid on the payer leg. For the EUR interest rate swaps, the receiver leg bears an average interest rate of 2.0% at 31 December 2025 and the payer leg has an average interest rate of 1.8%.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

The following table presents the hedging instruments and the hedged items under cash flow hedge in 2025.

	Hedging instruments				Change in fair value of hedging items used as basis for recognising hedge ineffecti- veness for the period MHUF	Hedged item  Change in fair value of hedged items used as basis for recognising hedge ineffecti- veness for the period MHUF
	Notional amount		Carrying amount			
	Asset MHUF	Liability MHUF	Asset MHUF	Liability MHUF		
Interest rate swaps	181 835	181 835	1 582	(8 977)		
Cross currency interest rate swaps	10 508	7 758	2 328	-		
<b>Total cash flow hedge</b>	<b>192 343</b>	<b>189 593</b>	<b>3 910</b>	<b>(8 977)</b>	<b>3 999</b>	<b>(3 999)</b>

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

The following table presents the hedging instruments and the hedged items under micro fair value hedge in 2024.

	Hedging instruments				Change in fair value of hedging items used as basis for recognising hedge ineffectiveness for the period MHUF		Hedged item			Result on discontinuation of hedge accounting recorded in profit or loss MHUF
	Notional amounts		Carrying amount				Carrying amount MHUF	Accumulated fair value adjustments MHUF	Change in fair value of hedged items used as basis for recognising hedge ineffectiveness for the period MHUF	
	Assets MHUF	Liabilities MHUF	Assets MHUF	Liabilities MHUF						
Interest rate swaps	375 019	375 019	7 566	(3 099)	7 806	337 462	(2 742)	(8 203)		
						20 508	(3 278)	397		
Total micro fair value hedge	375 019	375 019	7 566	(3 099)	7 806	357 970	(6 020)	(7 806)	-	

Debt securities at fair value through other comprehensive income  
Loans and advances at amortised cost

SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

The following table presents the hedging instruments and the hedged items under portfolio fair value hedge in 2024.

	Hedging instruments				Change in fair value of hedging items used as basis for recognising hedge ineffectiveness for the period MHUF	Hedged item				
	Notional amounts		Carrying amount			Carrying amount MHUF	Accumulated fair value adjustments MHUF	Change in fair value of hedged items used as basis for recognising hedge ineffectiveness for the period MHUF	Result on discontinuation of hedge accounting recorded in profit or loss MHUF	
	Assets MHUF	Liabilities MHUF	Assets MHUF	Liabilities MHUF						
Interest rate swaps	2 160 332	2 160 332	110 237	(68 772)	1 367					
						Debt securities at fair value through other comprehensive income	28 556	(2 744)	(582)	
						Debt securities at amortised cost	297 014	(57 421)	1 440	
						Loans and advances at amortised cost	501 627	(9 265)	244	
						Deposits at amortised cost	1 222 648	41 059	(2 469)	
						Discontinued hedges	-	173	-	
Total portfolio fair value hedge	<u>2 160 332</u>	<u>2 160 332</u>	<u>110 237</u>	<u>(68 772)</u>	<u>1 367</u>		<u>2 049 845</u>	<u>(28 198)</u>	<u>(1 367)</u>	<u>(1 567)</u>

In case of HUF interest rate swaps, the average interest rate on the receiver leg was 5.8% at 31 December 2024 and 5.8% average interest rate was paid on the payer leg. For the EUR interest rate swaps, the receiver leg bears an average interest rate of 2.3% at 31 December 2024 and the payer leg has an average interest rate of 2.7%.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

The following table presents the hedging instruments and the hedged items under cash flow hedge in 2024.

	<b>Hedging instruments</b>				<b>Change in fair value of hedging items used as basis for recognising hedge ineffecti- veness for the period MHUF</b>	<b>Hedged item</b>
	<b>Notional amount</b>		<b>Carrying amount</b>			<b>Change in fair value of hedged items used as basis for recognising hedge ineffecti- veness for the period MHUF</b>
	<b>Asset MHUF</b>	<b>Liability MHUF</b>	<b>Asset MHUF</b>	<b>Liability MHUF</b>		
<b>Interest rate swaps</b>	263 618	263 618	3 155	(14 331)		
Cross currency interest rate swaps	21 016	18 593	1 235	-		
<b>Total cash flow hedge</b>	<b>284 634</b>	<b>282 211</b>	<b>4 390</b>	<b>(14 331)</b>	<b>8 192</b>	
					<b>(8 192)</b>	

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

***Trading derivatives - Options***

Although options are not accounted for as hedges, the Bank has an operational policy where the risks of options sold and purchased are matched on a one to one basis with offsetting deals conducted with counterparties of sound credit standing.

***Hedge accounting***

The Bank applies hedge accounting for some of its derivatives concluded in frame of Asset and Liability Management. The below sections outline the different types of hedge accounting techniques applied by the Bank. As explained previously in note 2.3.7 hedging relationships are subject to regular retrospective and prospective hedge effectiveness testing and whilst the future might differ from management expectations and judgements due to the substantial headroom in each of the hedged portfolios and as a result of the construction of the hedge relationships management believes no significant inefficiencies due to changes to the volume or the fair value of the hedged portfolio are expected in the future that would lead to significant discontinuance or material inefficiencies even if assumptions change compared to current expectation. The sharp change in fair value of the hedging instruments and the hedged items in the fair value micro hedges and fair value hedges for a portfolio of interest rate risk for 2024 are attributable to the substantial decrease in market interest rates.

**Cash flow hedge of interest rate risk**

The aim of the cash-flow hedges designated by the Bank is to hedge changes in cash flows group of assets and liabilities related to changes in interest and foreign exchange rates. The hedging instruments are EUR and HUF interest rate swaps.

Hedging relationships are subject to prospective and retrospective effectiveness measurement. Fair value changes in hedging instruments for the effective part of the hedging relationship are recognised in other comprehensive income and are accumulated to Cash flow hedge reserve. Since the exchange revaluation result of the hedged assets and liabilities is recorded as Net gains / (losses) from financial instruments at fair value through profit or loss, the foreign exchange revaluation effect of the hedging cross currency interest rate swaps recorded in Other comprehensive income was transferred to the income statement at the same time.

The fair value change of hedging derivatives recorded in the comprehensive income as Cash flow hedge - Net gain / (loss) from fair value changes amounted to HUF 3 999 million gain in 2025 (HUF 8 192 million gain in 2024). In 2025 the Bank did not transfer any result to the net profit due to ineffectiveness (nor in 2024).

The Bank recognised a HUF 7 910 million accumulated loss in other comprehensive income as the effective portion at 31 December 2025 (HUF 12 386 million loss in 2024). Other comprehensive income includes HUF 43 million accumulated gain on discontinued cash flow hedges in 2025 (HUF 30 million loss in 2024).

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The periods when the cash flows of the hedging instruments are expected to occur are the following:

	2025		2024	
	Expected cash flows		Expected cash flows	
	Inflow	Outflow	Inflow	Outflow
	MHUF	MHUF	MHUF	MHUF
< 3 months	270	(1 356)	457	(2 182)
3-6 months	701	(1 926)	1 527	(3 250)
6 months - 1 year	2 119	(2 905)	2 549	(4 358)
1-2 years	2 826	(4 812)	3 044	(6 267)
2-5 years	5 457	(8 462)	5 710	(11 284)
> 5 years	2 582	(3 089)	3 321	(3 106)
Total	13 955	(22 550)	16 608	(30 447)

Forecast transactions for which hedge accounting had previously been used but which is no longer expected to occur amounted to HUF 25 million as at 31 December 2025 (HUF 6 million as at 31 December 2024). The related transfer was presented as Cash flow hedges – Gross amount in the other comprehensive income.

##### **Fair value hedge of interest rate risk on deposits and debt instruments**

The risk to be hedged under fair value hedge of interest rate risk is interest rate risk, arising from changes in fair value of non-maturity deposits and debt instruments to changes in the risk-free (interest rate swap) yield curve. The hedging instruments are HUF interest rate swaps.

The accumulated fair value changes of hedged item under portfolio hedge of interest rate risk are presented separately in the statement of financial position and amounted to HUF 45 231 million loss on the asset side and HUF 18 886 million gain on the liability side in 2025 (HUF 68 439 million loss on asset side and HUF 42 985 million gain on liability side in 2024). The loss / gain recorded on the hedged item was compensated by a gain / loss recorded on the hedging instrument in the same amount. The fair value changes of the hedged item and the hedging instrument in the current year is recorded as Net gains / (losses) from financial instruments at fair value through profit or loss in the income statement.

##### **Fair value hedge of fixed rate FVOCI bonds**

The Bank defines the risk to be hedged as the interest rate risk arising from changes in fair value of FVOCI bonds to changes in the risk-free (interest rate swap) yield curve. The hedging instruments are fixed rate payer-floating rate receiver (BUBOR 3M-6M) interest rate swaps.

The changes in the fair value of the FVOCI government bonds and the interest rate swaps due to interest rate risk are offset in the income statement and the unhedged credit spread of the bonds remains in other comprehensive income. The change in the fair value of the hedged instrument amounted to a gain of HUF 1 234 million in 2025 (a loss of HUF 582 million in 2024).

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 25 – OTHER ASSETS**

	<b>2025</b>	<b>2024</b>
	<b>MHUF</b>	<b>MHUF</b>
Prepayments	1 331	2 923
Trade receivables	1 214	1 464
Receivables from employees	4	6
Receivables from bankcard service	12 378	11 999
Items in transit due to payment services	28 316	8 398
Items in transit due to trading in securities	77	145
Income accruals and cost prepayments	18 858	10 497
Inventories	2 248	576
Other receivables	24 944	14 103
	<hr/>	<hr/>
	<b>89 370</b>	<b>50 111</b>
	<hr/>	<hr/>

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 26 – DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The deferred tax included in the statement of financial position and changes recorded in the income statement and equity are as follows:

For the period ended 31 December 2025:

	<u>Assets</u> MHUF	<u>Liabilities</u> MHUF	<u>Income</u> <u>statement</u> MHUF	<u>Equity</u> MHUF
Employee benefits	192	-	21	-
Tangibles and intangibles assets	870	494	(532)	-
Other provisions for risk and charges and credit commitments	80	-	(2)	-
Impairment for losses on loans and advances	-	-	-	-
Fair value adjustments FVOCI	(104)	-	1	741
Cash flow hedge	708	-	-	(409)
Other	86	(409)	492	-
Total	<u>1 832</u>	<u>85</u>	<u>(20)</u>	<u>332</u>

For the period ended 31 December 2024:

	<u>Assets</u> MHUF	<u>Liabilities</u> MHUF	<u>Income</u> <u>statement</u> MHUF	<u>Equity</u> MHUF
Employee benefits	171	-	116	-
Tangibles and intangibles assets	908	-	(369)	-
Other provisions for risk and charges and credit commitments	82	-	(113)	-
Impairment for losses on loans and advances	-	-	(1)	-
Fair value adjustments FVOCI	(846)	-	-	(252)
Cash flow hedge	1 117	-	(1)	(744)
Other	3	-	8	-
Total	<u>1 435</u>	<u>-</u>	<u>(360)</u>	<u>(996)</u>

In 2025 and 2024 income taxes were calculated on all temporary differences under the asset and liability method using a tax rate of 9% or 10.82% (9% corporate income tax and 1.82% local business tax).

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

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##### NOTE 27 – INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

	<u>2025</u>	<u>2024</u>
	<u>MHUF</u>	<u>MHUF</u>
K&H Autópark Kft.	410	410
K&H Csoportszolgáltató Kft.	60	60
K&H Equities Zrt.	4 771	4 771
K&H Faktor Zrt.	450	450
K&H Ingatlanlízing Zrt.	50	50
K&H Jelzálogbank Zrt.	<u>10 500</u>	<u>10 500</u>
Total	<u>16 241</u>	<u>16 241</u>

The table includes the net carrying amount of investments.

For more information on the subsidiaries and associated companies see Note 40.

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 28 – INVESTMENT PROPERTIES**

	<b>Investment properties</b>
	<b>MHUF</b>
<b>At 31 December 2023</b>	
Cost	279
Accumulated depreciation	(34)
Net book value	<u>245</u>
<b>Movements in 2024</b>	
Additions	-
Disposals - net	(113)
Impairment charge	-
Depreciation charge	<u>(10)</u>
<b>At 31 December 2024</b>	
Cost	150
Accumulated depreciation	(28)
Net book value	<u>122</u>
<b>Movements in 2025</b>	
Additions	-
Disposals - net	(46)
Impairment charge	-
Depreciation charge	<u>(3)</u>
<b>At 31 December 2025</b>	
Cost	80
Accumulated depreciation	(7)
Net book value	<u>73</u>

Investment properties include collaterals obtained by taking in possession. The Bank intends to sell investment properties within a reasonable time period.

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

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##### NOTE 28 – INVESTMENT PROPERTIES (continued)

The following table presents the results related to investment properties.

	<u>2025</u>	<u>2024</u>
	MHUF	MHUF
<b>Impairment on Investment property</b>		
Additions	-	-
Reversals	-	-
Total impairment	<u>-</u>	<u>-</u>
 Expenses from investment properties		
Acquisition cost	-	(3)
Maintenance expenses	(11)	(25)
<b>Sale related cost</b>	<u>(1)</u>	<u>(9)</u>
<b>Total</b>	<u>(12)</u>	<u>(37)</u>

Expenses recorded in 2025 (and 2024) were not recognised as asset in the statement of financial position.

The difference between the fair value and the carrying amount of the assets is immaterial as at 31 December 2025 (and as at 31 December 2024).

The Bank believes that the carrying amount of investment properties approximates their fair value (classified as level 3 in the fair value hierarchy).

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 29 – PROPERTY AND EQUIPMENT**

	<b>Land and buildings</b>	<b>IT equipment</b>	<b>Office equipment</b>	<b>Right of use assets</b>	<b>Other</b>	<b>Total</b>
	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>
<b>At 31 December 2023</b>						
Cost	53 786	18 689	10 149	24 147	4 171	110 942
Accumulated depreciation	(28 125)	(12 005)	(7 068)	(14 471)	(1 476)	(63 145)
<b>Net book value</b>	<b>25 661</b>	<b>6 684</b>	<b>3 081</b>	<b>9 676</b>	<b>2 695</b>	<b>47 797</b>
<b>Movements in 2024</b>						
<b>Additions (acquired separately)</b>	4 984	2 480	618	1 550	456	10 088
Disposals - net	(153)	(5)	-	(1 338)	(104)	(1 600)
Impairment charge	(1 639)	(7)	(38)	3 191	-	1 507
Depreciation charge	(2 234)	(2 241)	(482)	(3 084)	(453)	(8 494)
<b>At 31 December 2024</b>						
Cost	57 537	18 285	10 682	21 722	4 257	112 483
Accumulated depreciation	(30 918)	(11 374)	(7 503)	(11 727)	(1 663)	(63 185)
<b>Net book value</b>	<b>26 619</b>	<b>6 911</b>	<b>3 179</b>	<b>9 995</b>	<b>2 594</b>	<b>49 298</b>

Accumulated depreciation includes HUF 1 801 million impairment in 2024.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 29 – PROPERTY AND EQUIPMENT (continued)**

	<u>Land and buildings</u> MHUF	<u>IT equipment</u> MHUF	<u>Office equipment</u> MHUF	<u>Right of use assets</u> MHUF	<u>Other</u> MHUF	<u>Total</u> MHUF
<b>At 31 December 2024</b>						
Cost	57 537	18 285	10 682	21 722	4 257	112 483
Accumulated depreciation	<u>(30 918)</u>	<u>(11 374)</u>	<u>(7 503)</u>	<u>(11 727)</u>	<u>(1 663)</u>	<u>(63 185)</u>
Net book value	<u>26 619</u>	<u>6 911</u>	<u>3 179</u>	<u>9 995</u>	<u>2 594</u>	<u>49 298</u>
<b>Movements in 2025</b>						
Additions (acquired separately)	2 878	4 416	1 112	3 191	1 623	13 220
Disposals - net	180	(4)	-	(180)	(133)	(137)
Impairment charge	(254)	(4)	(35)	-	(3)	(296)
Depreciation charge	<u>(2 357)</u>	<u>(2 332)</u>	<u>(520)</u>	<u>(3 168)</u>	<u>(444)</u>	<u>(8 821)</u>
<b>At 31 December 2025</b>						
Cost	59 688	21 171	11 166	23 491	5 554	121 070
Accumulated depreciation	<u>(32 622)</u>	<u>(12 184)</u>	<u>(7 430)</u>	<u>(13 653)</u>	<u>(1 917)</u>	<u>(67 806)</u>
Net book value	<u>27 066</u>	<u>8 987</u>	<u>3 736</u>	<u>9 838</u>	<u>3 637</u>	<u>53 264</u>

Accumulated depreciation includes HUF 1 796 million impairment in 2025.

Expenditure on items in the course of construction amounted to HUF 3 886 million as at 31 December 2025 (HUF 3 513 million as at 31 December 2024).

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 30 – INTANGIBLE ASSETS**

	<u>Software</u> <u>MHUF</u>	<u>Other</u> <u>intangible</u> <u>assets</u> <u>MHUF</u>	<u>Total</u> <u>MHUF</u>
<b>At 31 December 2023</b>			
Cost	169 935	43	169 978
Accumulated depreciation	<u>(73 409)</u>	<u>(42)</u>	<u>(73 451)</u>
Net book value	<u>96 526</u>	<u>1</u>	<u>96 527</u>
<b>Movements in 2024</b>			
Additions (acquired separately)	38 119	1	38 120
Impairment charge	(989)	-	(989)
Depreciation charge	<u>(21 490)</u>	<u>-</u>	<u>(21 490)</u>
<b>At 31 December 2024</b>			
Cost	207 064	43	207 107
Accumulated depreciation	<u>(94 898)</u>	<u>(42)</u>	<u>(94 940)</u>
Net book value	<u>112 166</u>	<u>1</u>	<u>112 167</u>
<b>Movements in 2025</b>			
Additions (acquired separately)	28 914	-	28 914
Impairment charge	(471)	-	(471)
Depreciation charge	<u>(25 858)</u>	<u>-</u>	<u>(25 858)</u>
<b>At 31 December 2025</b>			
Cost	221 084	43	221 127
Accumulated depreciation	<u>(106 333)</u>	<u>(42)</u>	<u>(106 375)</u>
Net book value	<u>114 751</u>	<u>1</u>	<u>114 752</u>

Accumulated depreciation includes HUF 6 225 million impairment in 2025 (HUF 6 225 million in 2024).

Expenditure on items in the course of construction amounted to HUF 32 256 million as at 31 December 2025 (HUF 31 731 million as at 31 December 2024).

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 31 – PROVISIONS FOR RISK AND CHARGES**

	<u>Provision for restructuring</u> MHUF	<u>Provision for tax litigation and pending legal disputes</u> MHUF	<u>Other</u> MHUF	<u>Total</u> MHUF
<b>Balance as at 31 December 2023</b>	610	1 591	778	2 979
Amounts allocated	371	31	-	402
Amounts used	-	(125)	-	(125)
Unused amounts reversed	(12)	(2)	(473)	(487)
<b>Balance as at 31 December 2024</b>	969	1 495	305	2 769
Amounts allocated	290	252	-	542
Amounts used	(32)	(726)	-	(758)
Unused amounts reversed	(228)	-	-	(228)
<b>Balance as at 31 December 2025</b>	999	1 021	305	2 325

The Bank is party to litigation and claims arising in the normal course of business, the provision of HUF 1 021 million from the total provision for losses from tax litigation and pending legal disputes at 31 December 2025 relates to these litigations (HUF 1 495 million at 31 December 2024). Management considers the provision raised for the still pending cases adequate to cover any remaining potential losses.

Provisions on credit commitments of HUF 2 789 million as at 31 December 2025 (HUF 2 296 million as at 31 December 2024) is presented in Note 23 and Note 35. The sum of HUF 2 325 million provision for risk and charges and HUF 2 789 million provisions for credit commitments amounts to HUF 5 114 million (HUF 5 064 million in 2024).

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 32 – OTHER LIABILITIES

	<u>2025</u> MHUF	<u>2024</u> MHUF
Trade creditors	10 937	9 631
Items in transit due to payment services	14 981	30 380
Items in transit due to lending activity	267	396
Liabilities from bankcard service	6 950	6 185
Other	28 108	29 061
Total other liabilities	<u>61 243</u>	<u>75 653</u>

Other liabilities include mainly short term liabilities.

Other includes trading tax liabilities, social charges, liability from transactional levy not settled yet, liabilities due to employees (see Note 37) and other accrued charges and deferred income arising from the normal course of business recorded as general administrative expenses in the income statement.

##### NOTE 33– SHARE CAPITAL

	<u>2025</u> MHUF	<u>2024</u> MHUF
Ordinary shares issued and outstanding	<u>140 978</u>	<u>140 978</u>

The nominal value of the ordinary shares issued and outstanding at 31 December 2025 is HUF 1 per share (31 December 2024: HUF 1).

Shareholders of the Bank:

	<u>2025</u> Shareholding %	<u>2024</u> Shareholding %
KBC Bank N. V.	<u>100.00</u>	<u>100.00</u>
	<u>100.00</u>	<u>100.00</u>

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 34 – CHANGE IN FINANCING**

	<b>2025</b>	<b>2024</b>
	<b>MHUF</b>	<b>MHUF</b>
Cash and cash equivalents	628 853	1 046 319
Subordinated liabilities (see Note 15)	(37 398)	(52 097)
Financial lease liabilities (see Note 36)	(33 679)	(34 663)
Issued bond (see Note 15)	(15 884)	(7 022)
Net debt	<u>541 892</u>	<u>952 537</u>

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 34 – CHANGES IN FINANCING (continued)**

The components of net debt changed as follows in 2025.

	Cash	Cash balances with central banks	Other demand deposits with credit institutions	Loans and advances to banks repayable on demand and term	Financial Lease liabilities	Subordinated liabilities	Issued bond	Total net debt
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Net debt as at 31 December 2024	<u>89 885</u>	<u>881 595</u>	<u>43 948</u>	<u>30 891</u>	<u>(34 663)</u>	<u>(52 097)</u>	<u>(7 022)</u>	<u>952 537</u>
Cash flows	4 983	(489 773)	76 797	(6 956)	3 289	13 817	(9 098)	(406 942)
Foreign exchange adjustments	-	-	(2 436)	(81)	-	1 109	-	(1 408)
Other non-cash movements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2 305)</u>	<u>(227)</u>	<u>236</u>	<u>(2 296)</u>
Net debt as at 31 December 2025	<u>94 868</u>	<u>391 822</u>	<u>118 309</u>	<u>23 854</u>	<u>(33 679)</u>	<u>(37 398)</u>	<u>(15 884)</u>	<u>541 891</u>

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 34 – CHANGES IN FINANCING (continued)**

The components of net debt changed as follows in 2024.

	<u>Cash</u>	<u>Cash balances with central banks</u>	<u>Other demand deposits with credit institutions</u>	<u>Loans and advances to banks repayable on demand and term</u>	<u>Financial Lease liabilities</u>	<u>Subordinated liabilities</u>	<u>Issued bond</u>	<u>Total net debt</u>
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Net debt as at 31 December 2023	<u>78 954</u>	<u>1 166 774</u>	<u>61 331</u>	<u>22 946</u>	<u>(36 214)</u>	<u>(48 641)</u>	<u>-</u>	<u>1 245 150</u>
Cash flows	10 931	(285 179)	(19 132)	8 123	3 748	-	(7 500)	(289 009)
Foreign exchange adjustments	-	-	1 748	(178)	-	(3 487)	-	(1 917)
Other non-cash movements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2 197)</u>	<u>31</u>	<u>478</u>	<u>(1 688)</u>
Net debt as at 31 December 2024	<u>89 885</u>	<u>881 595</u>	<u>43 948</u>	<u>30 891</u>	<u>(34 663)</u>	<u>(52 097)</u>	<u>(7 022)</u>	<u>952 537</u>

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 35 – COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

In the normal course of business, the Bank is a party to credit related financial instruments recorded as off balance sheet items. These financial instruments include commitments to extend credit, financial guarantees and commercial letters of credit. These instruments involve elements of credit risk in excess of the amounts recognized in the statement of financial position.

Credit risk for off-statement of financial position financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making commitments and conditional obligations as it does for financial instruments in the statement of financial position through established credit approvals, risk control limits and monitoring procedures.

Commitments are contractual agreements to extend credit which generally have fixed expiration dates or other termination requirements and may require payment of a fee. The potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Financial guarantees are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing guarantees is essentially the same as that involved in extending credit facilities to other customers. The Bank applies similar principles as those applied in assessing the required allowance for losses under other credit facilities when assessing the likelihood of loss under the guarantee.

Letters of credit represent a financing transaction by a Bank to its customer where the customer is usually the buyer/importer of goods and the beneficiary is typically the seller/exporter. Credit risk is limited as the merchandise shipped serves as collateral for the transaction.

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 35 – COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (continued)**

The Bank has the following commitments, contingent assets and liabilities:

	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Credit commitments – undrawn amount		
Received	31 873	21 930
Given		
Irrevocable	771 347	601 452
Revocable	496 623	383 603
Total given	<u>1 267 970</u>	<u>985 055</u>
Collaterals		
Given	968	1 151
Guarantees received/collateral		
For impaired and past due assets		
Non-financial assets	15 885	22 274
Financial assets	1 019	4 668
For assets that are not impaired or past due		
Non-financial assets	3 122 437	2 920 505
Financial assets	713 785	742 319
Total guarantees received/collateral	<u>3 853 126</u>	<u>3 689 766</u>
Other commitments given		
Other commitments given – irrevocable	198 677	201 657
Other commitments given – revocable	308 148	314 344
Total given	<u>506 825</u>	<u>516 001</u>

Other commitments given includes non-financial guarantees and letters of credit.

The amount of the received guarantees and collaterals includes the indexed or reviewed collateral value.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 35 – COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (continued)**

The following table presents the nominal value and the provision for loan commitments and guarantees at 31 December 2025.

	<u>Nominal amount</u>			<u>Provision</u>			<u>Total MHUF</u>
	<u>Performing</u>		<u>Non-performing</u>	<u>Performing</u>		<u>Non-performing</u>	
	<u>Stage 1 MHUF</u>	<u>Stage 2 MHUF</u>	<u>Stage 3 MHUF</u>	<u>Stage 1 MHUF</u>	<u>Stage 2 MHUF</u>	<u>Stage 3 MHUF</u>	
Loan commitments	1 082 370	184 980	620	(1 014)	(859)	(16)	1 266 081
Financial guarantees	854	114	-	(2)	-	-	966
Other commitments	457 111	48 052	1 662	(414)	(132)	(351)	505 928
<b>Total</b>	<b>1 540 335</b>	<b>233 146</b>	<b>2 282</b>	<b>(1 430)</b>	<b>(991)</b>	<b>(367)</b>	<b>1 772 975</b>

For evaluation of provision on commitments and contingent liabilities in 2025 see Note 23.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 35 – COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (continued)**

The following table presents the nominal value and the provision for loan commitments and guarantees at 31 December 2024.

	<u>Nominal amount</u>			<u>Provision</u>			<u>Total MHUF</u>
	<u>Performing</u>		<u>Non-performing</u>	<u>Performing</u>		<u>Non-performing</u>	
	<u>Stage 1 MHUF</u>	<u>Stage 2 MHUF</u>	<u>Stage 3 MHUF</u>	<u>Stage 1 MHUF</u>	<u>Stage 2 MHUF</u>	<u>Stage 3 MHUF</u>	
Loan commitments	896 271	87 749	1 036	(521)	(297)	(107)	984 131
Financial guarantees	951	172	28	(2)	-	(23)	1 126
Other commitments	460 963	47 816	7 222	(254)	(139)	(952)	514 656
<b>Total</b>	<b>1 358 185</b>	<b>135 737</b>	<b>8 286</b>	<b>(777)</b>	<b>(436)</b>	<b>(1 082)</b>	<b>1 499 913</b>

For evaluation of provision on commitments and contingent liabilities in 2024 see Note 23.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 35 – COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (continued)**

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol of dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year-end the Bank had several unresolved legal claims in the amount of HUF 6 205 million (HUF 191 million as at 31 December 2024) where the Bank has been advised by its legal advisor that it is possible, but not probable, that the action will succeed. Accordingly no provision for these claims has been made in these financial statements. The increase of claims in 2025 mainly relates to one case where subsequent events confirmed that no provision is needed.

**NOTE 36 – FINANCE LEASES**

***Lessor position***

The Bank offers open end financial lease (OEFL), and closed end financial lease (CEFL) products for existing or targeted Corporate, Business and Micro SME customers of the Bank. The products are handled in the Bank's normal credit approval and monitoring process, which gives a well-defined and established basis for managing credit risk.

Leasing residual value risk management framework is in place which contains residual value policy, residual value limit setting methodology and guaranty framework.

The assets leased out by the Bank are predominantly cars and trucks. In finance lease, the lessee selects an asset and the Bank purchases that asset and gives it to the lessee. In this way the Bank acts as a financier of the assets borrowed by the lessee. The lessee will have to use the asset during the lease period and will have to pay for the cost of repairs, maintenance and insurance of the asset. The Bank is the legal owner of the asset during the period of lease and recovers a major part of the cost of the asset plus interest earned from lease payment by the lessee. The lessee assumes some risks of the ownership and enjoys some of the benefits. The lessee or the third party has the option to acquire ownership of the asset by paying a nominal price which is the repurchase price.

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 36 – FINANCE LEASES (continued)**

The following tables indicate the key amounts of the Bank's lease activity:

	<u>2025</u>	<u>2024</u>
	<u>MHUF</u>	<u>MHUF</u>
Finance lease receivables		
Total of gross investment in the lease, receivable:		
less than one year	39 284	38 810
one to five years	91 613	79 105
more than five years	4 450	5 207
	<u>135 347</u>	<u>123 122</u>
The present value of minimum lease payments receivables*:		
less than one year	33 046	33 458
one to five years	82 779	70 781
more than five years	4 207	4 853
	<u>120 032</u>	<u>109 092</u>
Unearned finance income	15 315	14 030
Contingent rents recognized as income - gross	6 724	6 215
Non-guaranteed residual values	18 988	17 494

\*Net of impairment.

The total impairment recorded on finance lease receivables amounted to HUF 123 million as at 31 December 2025 (HUF 196 million as at 31 December 2024).

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 36 – FINANCE LEASES (continued)**

***Lessee position***

The Bank has entered into property lease agreements. According to IFRS 16 these contracts are presented as lease liabilities and right-of-use assets.

The following tables give information about the client types and the remaining maturity of these liabilities recorded according to IFRS 16.

	<b>2025</b>	<b>2024</b>
	<b>MHUF</b>	<b>MHUF</b>
< 1 year	903	948
1-2 years	853	3 874
2-3 years	930	1 448
3-4 years	1 514	1 022
4-5 years	2 143	1 709
over 5 years	3 825	2 098
	<u>10 168</u>	<u>11 099</u>
Total financial lease liabilities	<u>10 168</u>	<u>11 099</u>

	<b>2025</b>	<b>2024</b>
	<b>MHUF</b>	<b>MHUF</b>
General government	1 203	396
Corporate	5 863	6 199
Small and medium enterprises	3 102	4 504
	<u>10 168</u>	<u>11 099</u>
Total financial lease liabilities	<u>10 168</u>	<u>11 099</u>

Expenses relating to short-term leases and low-value lease are included in general administration expenses and amounted to HUF 287 in 2025 (HUF 152 million in 2024).

Following table shows the total cash outflow for leases.

	<b>2025</b>	<b>2024</b>
	<b>MHUF</b>	<b>MHUF</b>
Interest expense	219	191
Principal repayment	3 289	3 797
	<u>3 508</u>	<u>3 988</u>
Total cash outflow	<u>3 508</u>	<u>3 988</u>

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 36 – FINANCE LEASES (continued)**

A part of the headquarter building is owned by K&H Ingatlanlizing Zrt. and is object of finance lease. The tables below present the minimum lease payments and the present value of the lease liability.

	<u>2025</u>	<u>2024</u>
	<u>MHUF</u>	<u>MHUF</u>
<b>Net carrying amount of leased assets in the Statement of financial position</b>	12 254	12 710
less than one year	58	53
one to five years	301	273
more than five years	<u>23 152</u>	<u>23 238</u>
The present value of finance lease liabilities may be analysed	<u>23 511</u>	<u>23 564</u>
less than one year	2 208	2 219
one to five year	8 843	8 904
more than five years	<u>69 591</u>	<u>72 149</u>
Finance lease liabilities-minimum lease payments	<u>80 642</u>	<u>83 272</u>

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

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#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 37 – RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, related parties include all enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Bank (this includes parents, subsidiaries and fellow subsidiaries) and key management.

##### *Parent:*

KBC Bank N.V. owns 100% of the ordinary shares in K&H Bank (2024: 100%). The ultimate parent of the Bank is KBC Group N.V.

##### *Subsidiaries:*

See list of subsidiaries in Note 40.

##### *Members of KBC Bank and other related parties:*

CBC Banque SA  
Československa Obchodna Banka a.s.  
Československa Obchodni Banka a.s.  
DISCAI N.V.  
IVESAM N.V.  
K&H Biztosító Zrt.  
K&H Pénzforgalmi Szolgáltató Kft.  
KBC Asset Management N.V.  
KBC Commercial Finance N.V.  
KBC Global Services N.V.  
KBC Securities N.V.  
Omnia N.V.  
Patria Finance a.s.  
United Bulgarian Bank AD

##### *Other related parties through key management*

If the Bank's key management has direct or indirect authority and responsibility for planning, directing and controlling the activity of a company outside of KBC Group, the companies are presented as other related parties through key management.

The banking transactions entered into with related parties in the normal course of business including loans and deposits were carried out on normal commercial terms and conditions and at market rates. All loans and advances to related parties are performing.

# K&H BANK ZRT.

## SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 37 - RELATED PARTY TRANSACTIONS (continued)

The year-end balances and the income and expenses in respect of related parties included in the financial statements are as follows:

	Parent MHUF	Subsidiaries MHUF	Other related parties (KBC Group) MHUF	Other related parties (through key management) MHUF	Total MHUF
As at 31 December 2025					
Assets					
Other demand deposit	106 527	-	984	-	107 511
Loans and advances	238 207	29 034	38	1 913	269 192
Current accounts	-	-	38	173	211
Term loans	238 207	29 034	-	1 740	268 981
Finance leases	-	-	-	-	-
Derivatives	123 807	-	353	-	124 160
-Held for trading	28 298	-	353	-	28 651
Hedging	95 509	-	-	-	95 509
Other receivables	11 888	116	3 561	-	15 565
<b>Total assets</b>	<b>480 429</b>	<b>29 150</b>	<b>4 936</b>	<b>1 913</b>	<b>516 428</b>
Liabilities					
Deposits	483 536	298 528	19 654	195	801 913
Current accounts	4 985	73 580	14 733	195	93 493
Term deposits (with agreed maturity)	478 551	224 948	4 921	-	708 420
Issued mortgage bonds	-	-	-	-	-
Subordinated liabilities	37 398	-	-	-	37 398
Derivatives	107 260	-	311	-	107 571
Held for trading	32 578	-	311	-	32 889
Hedging	74 682	-	-	-	74 682
Other liabilities	895	23 070	237	-	24 202
<b>Total liabilities</b>	<b>629 089</b>	<b>321 598</b>	<b>20 202</b>	<b>195</b>	<b>971 084</b>
Income statement					
Net interest and similar income	(4 123)	(18 219)	(1 192)	155	(23 379)
Interest and similar income	15 274	4 147	77	155	19 653
Interest and similar expense	(19 397)	(22 366)	(1 269)	-	(43 032)
Net fee and commission income	915	79	16 990	31	18 015
Fee and commission income	1 775	79	17 576	37	19 467
Fee and commission expense	(860)	-	(586)	(6)	(1 452)
Other income	380	186	890	-	1 456
Other expense	(3 775)	(1 480)	(12 918)	-	(18 173)
<b>Total income statement</b>	<b>(6 603)</b>	<b>(19 434)</b>	<b>3 770</b>	<b>186</b>	<b>(22 081)</b>
Off-statement of financial position items					
Commitments and contingent liabilities	185 320	3 273	48 219	116	236 928
Guarantees received	923	-	17 005	-	17 928
Notional amount of derivatives	7 492 583	-	55 768	-	7 548 351

# K&H BANK ZRT.

## SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 37 - RELATED PARTY TRANSACTIONS (continued)

	Parent	Subsidiaries	Other related parties (KBC Group)	Other related parties (through key management)	Total
	MHUF	MHUF	MHUF	MHUF	MHUF
As at 31 December 2024					
Assets					
Other demand deposit	10 339	-	78	-	10 417
Loans and advances	206 940	84 861	362	2 227	294 390
Current accounts	-	-	157	97	254
Term loans	206 940	84 861	205	2 130	294 136
Finance leases	-	-	-	-	-
Derivatives	151 027	-	208	-	151 235
-Held for trading	29 549	-	208	-	29 757
Hedging	121 478	-	-	-	121 478
Other receivables	9 746	274	3 614	-	13 634
<b>Total assets</b>	<b>378 052</b>	<b>85 135</b>	<b>4 262</b>	<b>2 227</b>	<b>469 676</b>
Liabilities					
Deposits	527 629	257 742	26 847	300	812 518
Current accounts	48 196	58 911	17 803	300	125 210
Term deposits (with agreed maturity)	479 433	198 831	9 044	-	687 308
Issued mortgage bonds	52 097	-	-	-	52 097
Subordinated liabilities	-	-	-	-	-
Derivatives	127 260	-	358	-	127 618
Held for trading	41 874	-	358	-	42 232
Hedging	85 386	-	-	-	85 386
Other liabilities	637	23 147	3 649	-	27 433
<b>Total liabilities</b>	<b>707 623</b>	<b>280 889</b>	<b>30 854</b>	<b>300</b>	<b>1 019 666</b>
Income statement					
Net interest and similar income	(18 290)	(12 277)	(1 249)	321	(31 495)
Interest and similar income	9 157	5 168	118	321	14 764
Interest and similar expense	(27 447)	(17 445)	(1 367)	-	(46 259)
Net fee and commission income	30	83	14 634	21	14 768
Fee and commission income	1 190	83	15 558	26	16 857
Fee and commission expense	(1 160)	-	(924)	(5)	(2 089)
Other income	-	201	1 063	-	1 264
Other expense	(2 097)	(1 410)	(9 313)	-	(12 820)
<b>Total income statement</b>	<b>(20 357)</b>	<b>(13 403)</b>	<b>5 135</b>	<b>342</b>	<b>(28 283)</b>
Off-statement of financial position items					
Commitments and contingent liabilities	223 326	56 147	27 440	212	307 125
Guarantees received	1 423	-	7 891	-	9 314
Notional amount of derivatives	5 959 851	-	55 913	-	6 015 764

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 37 - RELATED PARTY TRANSACTIONS (continued)

The interest rate of related party liabilities (demand and term deposits, refinancing loans and repos) varied in a range of 0 and 9 percent in 2025 (0 and 12 percent in 2024). Related party assets (loans and advances) bear a minimum interest rate of 0 and a maximum interest rate of 21 percent in 2025 (0 and 22 in 2024). For interest rate conditions of subordinated liabilities see Note 15.

##### *Transactions with key management*

The Bank's key management includes the members of the executive committee, senior executive directors and executive directors.

##### *Loans*

In accordance with the Bank's internal policy, all employees of the Bank, including key management may apply for loans with favourable conditions.

The major part of the total of HUF 544 million outstanding amount of loans of key management at 31 December 2025 was housing loan (HUF 865 million at 31 December 2024), with the long-term maturity obligations ranging from 15-20 years.

##### *Deposits*

In accordance with the Bank's internal policy, all the employees of the Bank, including key management staff are entitled to have a bank account and a securities/bond account with condition of K&H 4000+ account package offered for companies with number of employees over 4 000. According to this package the interest paid on deposit is the basic interest rate of the Hungarian National Bank less 3.25% but if it is negative, then the interest rate for the K&H Demand Deposit Account.

At 31 December 2025 the outstanding amount of deposits was HUF 545 million (HUF 590 million at 31 December 2024).

##### *Staff expenses*

The following amounts have been recorded related to key management personnel:

Type of benefit	<u>2025</u>	<u>2024</u>
	<b>MHUF</b>	<b>MHUF</b>
Short-term employee benefits	2 633	2 460
Other long-term benefits	17	13
Termination benefits	75	5
Share based payment (cash settled)	64	43
Total benefits	<u>2 789</u>	<u>2 521</u>

The liability of HUF 503 million in 2025 (HUF 323 million in 2024) resulting from the carrying amount of share based payment is recorded as other liability in the statement of financial position.

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 38 – DEFINED BENEFIT PLAN

The table below presents the reconciliation of defined benefit obligations recorded as other liabilities.

	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Defined benefit obligations at the beginning of the period	254	268
Interest cost	15	14
Actuarial gains and losses arising from changes in financial assumptions	(2)	-
Benefits paid	(15)	(20)
Past service cost, including gains and losses arising from settlements	(5)	(8)
Defined benefit obligation at end of the period	<u>247</u>	<u>254</u>

Interest cost on defined retirement benefit plans are recorded as interest and similar expense in the income statement (see Note 4). Current service cost, benefits paid and past service includes the effect of the renegotiation of defined benefit plans. Current service costs are recorded as staff expenses in the income statement (see Note 13). Actuarial gains and losses arising from changes in financial assumptions are accounted directly in other comprehensive income.

##### NOTE 39 – AUDITOR'S REMUNERATION

	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Fees for the statutory audit services	212	221
Total fees paid to audit firms	<u>212</u>	<u>221</u>

The amounts in the table above include VAT.

The Bank is provided with statutory audit services by KPMG Hungária Könyvvizsgáló, Adó- és Közgazdasági Tanácsadó Korlátolt Felelősségű Társaság.

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 40 – SUBSIDIARIES

Fully consolidated subsidiaries	Address of headquarter	Principal activities	Capital 2025	Effective Shareholding 2025	Effective Shareholding 2024
			MHUF	%	%
K&H Jelzálogbank Zrt.	1095 Budapest, Lechner Ödön fasor 9.	Credit institution	3 700	100	100
K&H Autópark Kft.	1095 Budapest, Lechner Ödön fasor 9.	Operating lease	11	100	100
K&H Ingatlanlízing Zrt.	1095 Budapest, Lechner Ödön fasor 9.	Finance lease	50	100	100
K&H Csoporszolgáltató Kft.	1095 Budapest, Lechner Ödön fasor 9.	Group service center	60	100	100
K&H Equities Zrt.	1095 Budapest, Lechner Ödön fasor 9.	Business and management consultancy	38	100	100
K&H Faktor Zrt.	1095 Budapest, Lechner Ödön fasor 9.	Other financial services	51	100	100

The principal place of business of the companies mentioned in the table is Hungary.

On 1<sup>st</sup> November 2025 the business activity of K&H Faktor Zrt. was transferred to the Bank. The carrying amount of loans and advances taken over by the Bank amounted to HUF 59 749 million and are presented as loans and advances held at amortised cost in the statement of financial position. Loan commitments increased by HUF 47 875 million due to the transaction.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 41 – SUBSEQUENT EVENTS**

Subsequent events related to legal matters ongoing at the reporting date were taken into account in these financial statements.

An armed conflict between the United States, Israel and Iran began in late February 2026. This initially caused regional instability and is impacting a number of areas, including energy prices, trade routes and the financial markets. The Bank is closely monitoring the macroeconomic impact and spillover effects for the Bank and its customers, both financially and operationally, including cyber threats.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 42 – RISK MANAGEMENT**

**42.1 General**

The Bank is not only a universal commercial bank and a major player in the Hungarian market but also part of the KBC Group. As such the activities of the Bank cover a wide range including the retail, corporate and the professional money market segments. In its role as a financial intermediary, the Bank faces different uncertainties presenting both risk and opportunity at the same time. The challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholder value.

Risk management makes it possible for management to effectively deal with this uncertainty and the risks and opportunities linked to it, enhancing the capacity to build value. Therefore at both KBC Group and K&H Group value and risk management is based on the following fundamental principles:

- Value, risk and capital management are inextricably linked to one another.
- Risk management is approached from a comprehensive, enterprise- wide angle, taking into account all the risks an institution is exposed to and all the activities it engages in.
- Primary responsibility for value and risk management lies with line management, while within Capital and Risk Oversight (CRO) Services Division separate Value and Risk Management departments – operating independently of line management – perform advisory, supporting and supervisory role.
- Every material subsidiary is required to adhere to the same risk governance model as the parent company.

The Group risk management activity is primarily based on the on-going Internal Capital Adequacy Assessment Process (ICAAP) that is aligned with international standards and KBC Group principles. The ICAAP is subject of annual Supervisory Review and Evaluation Process (SREP) conducted by the local supervisor (Hungarian National Bank) in the frame of Joint Capital Decision of home supervisor (European Central Bank) and host supervisors (Hungarian National Bank).

The Bank has Recovery Plan prepared according to the guidelines set out by KBC Group's and the local supervisors. The Recovery Plan of the KBC Group covers the whole K&H Group too.

*Risk management governance model*

The risk management governance model seeks to define the responsibilities and tasks of various bodies and persons within the organisations with a view to ensure the sound management of value creation and all the associated risks to which the banking business is exposed. The Bank's risk governance model is organised in three tiers:

- Overarching company and risk committees are the Board of Directors (BoD), the Audit Board (AB), Risk and Compliance Committee (RCC), the Executive Committee (ExCo), the Country Team (CT) and the Capital and Risk Oversight Committee (CROC). These committees concentrate on overarching risk management and on monitoring value creation.
- Specialised risk councils (Credit Risk Council (CRC), Operational Risk Councils (ORC), Asset Liability Management Risk Council (ALRC) concentrate on implementing a group-wide framework for one particular type of risk and monitoring the associated risk management process. The risk councils are composed of representatives from line management and relevant Risk Management departments.
- Line management and activity-specific committees have primary responsibility for value and risk management on the operational level. Whereas Risk Management Directorate measures risks, economic capital and value creation for all relevant business entities and reports their findings directly to line management and the relevant activity-specific committees.

The Board of Directors and the Risk and Compliance Committee have an important role to play in value creation and risk governance. Regular reporting to the Risk and Compliance Committee – quarterly risk reports, yearly overview of the remuneration policy and the risk based pricing policy – ensures that there is an ample flow of information to the relevant members of the Board over the course of the year. Moreover, through the involvement of the entire Board in the annual round of approvals of risk-tolerance limits, the Board is able to take informed decisions on the degree of risk it finds acceptable for the Bank and on the adequacy of the risk management structure.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 42 – RISK MANAGEMENT (continued)**

*Risk measurement and monitoring*

Risk measurement and monitoring in general includes the following sub-processes:

- Identification of risks is a process of discovering and defining material risks, namely those risks that could have a positive or negative impact on the statement of financial position of the Bank. Identification of risks is further ensured with setting up New and Active Products Process (NAPPs) in all business domains.
- Measurement of risks; qualitative and quantitative assessment of exposure to risk. The Bank uses amongst others the following risk measures for the following most significant risk types:
  - Credit default and migration risks: nominal positions (outstanding/exposure), PD (probability of default), LGD/EL (loss given default/expected loss), credit concentration ratios, loan delinquency ratios, renegotiated loan ratios, credit loss ratios, RWA, stress test results;
  - Trading risk: historic VaR (value at risk), and stress test results;
  - ALM (asset-liability management) risk: BPV (basis point value), results of stress test on interest income, parametric VaR;
  - Operational risk: KRI (key risk indicator), results of risk self-assessment, level of compliance with Group Standards, availability of crisis management plans;
  - Liquidity risk: liquidity gaps, loan-to-deposit ratio, liquidity coverage ratio (LCR), net stable funding ratio (NSFR), liquidity concentration ratios, stress test results.
- Risk appetite and setting limits; is a way of authorizing specific forms of risk taking. A limit indicates how much risk the Bank considers being 'an acceptable maximum' for a portfolio or a segment of a portfolio. They reflect the general risk appetite, set by the Board of Directors. This general risk appetite cascades down in specific risk limits or tolerances that reflect the degree of acceptable variation to the achievement of objectives. Risk appetite and limits are agreed upon by the Board of Directors.
- Reporting; delivery of risk measurement results and compliance with the limits (comparison of risk exposure with the risk limit) to the decision makers (relevant risk committees) in a structured format. The main types of reports used in the Bank:
  - exposures to key risk types
  - key risk indicators
  - limit breaches
  - losses
  - advice from Risk Management Directorate regarding the risk response.

A dual reporting system by the local risk departments exists: hierarchical reporting to the local Executive Committee via the local risk committees, and functional reporting via the KBC Group Value and Risk Management to the group risk committees and on to the KBC Group Executive Committee.

- Monitoring and response to shortcomings; the purpose of responding to risks is to constrain threats and take advantage of the opportunities. Management (or respective decision makers) need to come up with a response to risk and define, implement and execute controls instruments that help to achieve a residual risk level aligned with the Bank's risk limits.

*Climate risk*

The Bank - as part of KBC Group - committed in 2019 to align its own operations and its financing activities to the Paris Climate Agreement. Accordingly, in 2022 the Bank published the sectoral climate (financed emission intensity) targets, which cover the majority of the financed portfolios. Ever since then, this commitment and the published targets serve as an overarching strategic direction to the ESG and more specifically to the climate related actions. The Bank publishes the convergence to these targets annually in the KBC Group sustainability report and also locally in the K&H Report to Society.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 42 – RISK MANAGEMENT (continued)**

The management of ESG related risks (including climate risks) is fully embedded in the existing risk management governance of the Group, including the 'Three Lines of Defence Model' as well, and is also firmly embedded in all building blocks of the Risk Management Framework.

As said, the management of ESG risks is firmly embedded in all building blocks of the Risk Management Framework, which means that dedicated processes have been developed focusing on the risk management of ESG risks, and in particular on identification measurement, risk appetite and follow-up. The main elements of this management framework are the followings:

- The Bank identifies climate-related risks and opportunities among others through strategic analyses (the so-called sectoral or thematic 'White Papers') and tailored risk and opportunity assessments. During the White Paper analyses the Bank detects opportunities and translates them into concrete service offerings and products. The Bank engages with the clients to support their transition, develop sustainable products and monitor decarbonisation progress. The outcome of this continuous risk and opportunity management is closely linked with the climate strategy and target follow-up and is also taken into account in the financial planning cycle, touching directly on the portfolio mix, expenses and capital adequacy assessment.
- Specific climate-related Key Risk Indicators are monitored via the ESG Dashboard, which is reported to the Sustainability Committee quarterly and yearly to the Board of Directors and Supervisory Board.
- In order to identify environmental risk the Bank uses the Environmental Risk Impact Map (ERIM) to assess the impact of various climate and environmental risk drivers on the classic risk profiles. The same applies for social risks in the Social Risk Impact Map (SRIM) risk identification exercise. The outcomes of the risk assessment process are embedded then in the Bank's Risk Appetites Statement (RAS).
- In the loan origination and review process, a sector-based environmental and social (E&S) heat map is used. This is a screening tool to identify the risks involved in the portfolio of loans to corporate entities and SMEs. For material credit files in scope of high E&S Risk sectors, an ESG assessment is performed at counterparty level. The Bank's commitment to consider climate and environmental risks is reflected in standards and policies. These standards and policies apply in every step of the credit process, including, for instance, in loan pricing and collateral valuation.
- The Bank conducts annual climate stress test to assess environmental risks, examining the Bank's resilience under different climate scenarios from the Network for Greening the Financial System (NGFS)."

**42.2 Liquidity risk and funding management**

Liquidity is the ability of the Bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. The fundamental role of the Bank in the maturity transformation of short-term deposits into long-term loans makes the Bank inherently vulnerable to liquidity risk both of an institution-specific nature and that which affects markets as a whole. Liquidity risk management is of paramount importance because a liquidity shortfall at a single institution can have system-wide repercussions. Financial market developments in the past decade have increased the complexity of liquidity risk and its management.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 42 – RISK MANAGEMENT (continued)**

The objective of the liquidity risk management framework is to limit liquidity risks by taking into account an adequate level of funding, the potential growth of the Bank, and in considering liquidity shocks to guarantee the availability of sufficient cash flow to meet all of the Bank's financial commitments:

- in a normal business environment;
- under extreme circumstances (shocks);
- and on different time horizons (short, medium and long term).

The Bank assesses the following liquidity risk aspects:

- Short-term liquidity risk represents the risk that the Bank will not be able to meet its payment obligations in full or in time. Short-term liquidity risk is measured up to 30-90 working days.
- Long-term liquidity risk represents the risk that additional refinancing funds will be available only at higher market interest rates. Long-term liquidity risk is measured from 1 year onwards.
- Concentration liquidity risk occurs when the Bank has an excessive level of exposure to individual depositor, type of deposit instrument, market segment or currency of denomination, mainly on the liabilities' side. However, concentration liquidity risk can be also due to concentration in a particular on- or off-statement of financial position instrument, which could significantly alter expected cash flows.
- Marketable asset risk represents the risk that the Bank will not be able to liquidate assets on the market only at a discount.

The core collateral pool (liquidity buffer or liquidity reserve) is considered as the liquidity resource of the Bank. The Bank maintains adequate liquidity resources at all times, both as to amount, maturity and quality, to ensure that the Bank can continue to meet its liabilities as they fall due, both in normal and stressed times.

The structure of the core collateral pool reflects the Bank's market position, and advantages resulting from the composition of shareholders and various internal and external prudential expectations such as:

- Attracting significant client funds (both corporate and retail);
- Having (indirect) access to international capital markets, funds provided by KBC Group (parent company);
- Keeping the cost of funding to a minimum, while maintaining competitiveness (prices should be in line with the rates of other key players in the market);
- Avoiding as much as possible reliance on volatile deposits;
- Offering full service to clients with the widest possible array of financial products.

The Bank maintains adequate balances on its accounts with the Hungarian National Bank and foreign correspondents to continuously meet its obligations.

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 42 – RISK MANAGEMENT (continued)

The following table shows a breakdown of the financial assets and financial liabilities by contractual maturity at 31 December 2025:

	<u>&lt;=1 year</u> MHUF	<u>1-5 year</u> MHUF	<u>&gt;5 year</u> MHUF	<u>Without</u> <u>maturity</u> MHUF	<u>Total</u> MHUF
Financial assets					
Cash balances with central banks and other demand deposits with credit institutions	604 999	-	-	-	604 999
Held for trading	19 206	23 074	4 402	-	46 682
Mandatorily at fair value through profit or loss	24 825	106 791	391 633	-	523 249
Fair value through other comprehensive income	43 821	308 203	66 498	1 049	419 571
Amortised cost	1 261 725	1 949 581	1 130 362	-	4 341 668
Fair value changes of hedged item under portfolio hedge of interest rate risk	(45 231)	-	-	-	(45 231)
Hedging derivatives	6 207	52 050	37 699	-	95 956
	<u>1 915 552</u>	<u>2 439 699</u>	<u>1 630 594</u>	<u>1 049</u>	<u>5 986 894</u>
Total financial assets and cash balances with central banks and other demand deposits with credit institutions					
	<u>1 915 552</u>	<u>2 439 699</u>	<u>1 630 594</u>	<u>1 049</u>	<u>5 986 894</u>
	<u>&lt;=1 year</u> MHUF	<u>1-5 year</u> MHUF	<u>&gt;5 year</u> MHUF	<u>Without</u> <u>maturity</u> MHUF	<u>Total</u> MHUF
Financial liabilities					
Held for trading	21 575	22 999	2 839	-	47 413
Designated at fair value through profit or loss	56 247	15 884	-	-	72 131
Hedging derivatives	9 324	52 246	13 471	-	75 041
Measured at amortised cost	4 486 490	642 353	156 253	-	5 285 096
Fair value changes of hedged item under portfolio hedge of interest rate risk	(18 866)	-	-	-	(18 866)
	<u>4 554 770</u>	<u>733 482</u>	<u>172 563</u>	<u>-</u>	<u>5 460 815</u>
Total financial liabilities	<u>4 554 770</u>	<u>733 482</u>	<u>172 563</u>	<u>-</u>	<u>5 460 815</u>
Commitments and contingent liabilities	<u>1 471 051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 471 051</u>
Total financial liabilities, commitments and contingent liabilities	<u>6 025 821</u>	<u>733 482</u>	<u>172 563</u>	<u>-</u>	<u>6 931 866</u>

Financial assets and liabilities repayable on demand are included in the <=1 year category. The Bank assumes that commitments and contingent liabilities will be draw down within 1 year.

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 42 – RISK MANAGEMENT (continued)

The following table shows a breakdown of the financial assets and financial liabilities by contractual maturity at 31 December 2024:

	<u>&lt;=1 year</u> MHUF	<u>1-5 year</u> MHUF	<u>&gt;5 year</u> MHUF	<u>Without</u> <u>maturity</u> MHUF	<u>Total</u> MHUF
Financial assets					
Cash balances with central banks and other demand deposits with credit institutions	1 015 428	-	-	-	1 015 428
Held for trading	11 457	35 897	5 839	-	53 193
Mandatorily at fair value through profit or loss	16 645	77 170	289 061	-	382 876
Fair value through other comprehensive income	121 046	271 237	82 832	1 555	476 670
Amortised cost	1 111 698	1 567 816	1 213 424	-	3 892 938
Fair value changes of hedged item under portfolio hedge of interest rate risk	(68 439)	-	-	-	(68 439)
Hedging derivatives	8 943	49 016	64 234	-	122 193
	<u>2 216 778</u>	<u>2 001 136</u>	<u>1 655 390</u>	<u>1 555</u>	<u>5 874 859</u>
Total financial assets and cash balances with central banks and other demand deposits with credit institutions					
	<u>&lt;=1 year</u> MHUF	<u>1-5 year</u> MHUF	<u>&gt;5 year</u> MHUF	<u>Without</u> <u>maturity</u> MHUF	<u>Total</u> MHUF
Financial liabilities					
Held for trading	12 187	36 306	5 007	-	53 500
Designated at fair value through profit or loss	48 108	7 022	-	-	55 130
Hedging derivatives	5 450	61 058	19 694	-	86 202
Measured at amortised cost	4 274 898	671 155	211 640	-	5 157 693
Fair value changes of hedged item under portfolio hedge of interest rate risk	(42 985)	-	-	-	(42 985)
	<u>4 297 658</u>	<u>775 541</u>	<u>236 341</u>	<u>-</u>	<u>5 309 540</u>
Total financial liabilities					
Commitments and contingent liabilities	1 502 209	-	-	-	1 502 209
	<u>5 799 867</u>	<u>775 541</u>	<u>236 341</u>	<u>-</u>	<u>6 811 749</u>
Total financial liabilities, commitments and contingent liabilities					

Financial assets and liabilities repayable on demand are included in the <=1 year category. The Bank assumes that commitments and contingent liabilities will be draw down within 1 year.

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 42 – RISK MANAGEMENT (continued)**

The remaining maturity of non-financial assets and liabilities held as at 31 December 2025 is presented in the table below.

	<u>&lt; 1 year</u> <u>MHUF</u>	<u>&gt; 1 year</u> <u>MHUF</u>	<u>Total</u> <u>MHUF</u>
Tax assets	100	1 832	1 932
Investment property	-	73	73
Property, plant and equipment	-	53 264	53 264
Intangible assets	-	114 752	114 752
Other assets	89 370	-	89 370
<b>Total assets</b>	<b>89 470</b>	<b>169 921</b>	<b>259 391</b>
Tax liabilities	2 753	85	2 838
Provisions for risks and charges	5 113	-	5 113
Other liabilities	61 243	-	61 243
<b>Total liabilities</b>	<b>69 109</b>	<b>85</b>	<b>69 194</b>

The remaining maturity of non-financial assets and liabilities held as at 31 December 2024 is presented in the table below.

	<u>&lt; 1 year</u> <u>MHUF</u>	<u>&gt; 1 year</u> <u>MHUF</u>	<u>Total</u> <u>MHUF</u>
Tax assets	-	1 435	1 435
Investment property	-	122	122
Property, plant and equipment	-	49 298	49 298
Intangible assets	-	112 167	112 167
Other assets	50 111	-	50 111
<b>Total assets</b>	<b>50 111</b>	<b>163 022</b>	<b>213 133</b>
Tax liabilities	6 054	-	6 054
Provisions for risks and charges	5 064	-	5 064
Other liabilities	75 653	-	75 653
<b>Total liabilities</b>	<b>86 771</b>	<b>-</b>	<b>86 771</b>

The expected remaining maturity breakdown above represents the current and non-current classification of non-financial assets and liabilities.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

The following tables present the future undiscounted cash flows of financial assets, financial liabilities and commitments and contingent liabilities by remaining contractual maturity as at 31 December 2025. For held-for-trading derivatives fair values are disclosed in the table.

	Cash balances with central banks and other demand deposits with credit institutions	Held for trading derivatives	Mandatory fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Hedging derivatives	Total
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Financial assets							
On demand and less than three months	510 131	568 614	5 373	65 477	656 896	2 019 909	3 826 400
More than three months but not more than one year	-	567 332	16 227	47 672	758 824	695 255	2 085 310
More than one but not more than five years	-	737 880	106 247	276 446	2 286 361	2 035 475	5 442 409
More than five years	-	264 412	389 831	27 364	1 378 422	813 560	2 873 589
<b>Total</b>	<b>510 131</b>	<b>2 138 238</b>	<b>517 678</b>	<b>416 959</b>	<b>5 080 503</b>	<b>5 564 199</b>	<b>14 227 708</b>

	Held for trading derivatives	Designated at fair value through profit or loss	Amortised cost	Hedging derivatives	Total
	MHUF	MHUF	MHUF	MHUF	MHUF
Financial liabilities					
On demand and less than three months	568 911	57 514	4 327 555	2 019 463	6 973 443
More than three months but not more than one year	567 903	-	110 985	694 588	1 373 476
More than one but not more than five years	721 698	14 557	598 307	2 032 147	3 366 709
More than five years	264 412	-	99 235	813 560	1 177 207
<b>Total</b>	<b>2 122 924</b>	<b>72 071</b>	<b>5 136 082</b>	<b>5 559 758</b>	<b>12 890 835</b>

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

	Commitments to extend credit	Guarantees	Letters of credit	Total
	MHUF	MHUF	MHUF	MHUF
Commitments and contingent liabilities				
On demand and less than three months	1 267 971	969	506 825	1 775 765
More than three months but not more than one year	-	-	-	-
More than one but not more than five years	-	-	-	-
More than five years	-	-	-	-
Total	<u>1 267 971</u>	<u>969</u>	<u>506 825</u>	<u>1 775 765</u>

The following tables present the future undiscounted cash flows of financial assets, financial liabilities and commitments and contingent liabilities by remaining contractual maturity as at 31 December 2024. For held-for-trading derivatives fair values are disclosed in the table.

	Cash balances with central banks and other demand deposits with credit institutions	Held for trading derivatives	Mandatory fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Hedging derivatives	Total
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Financial assets							
On demand and less than three months	925 543	476 634	3 374	73 266	509 406	1 427 617	3 415 840
More than three months but not more than one year	-	692 417	10 794	96 562	754 279	313 860	1 867 912
More than one but not more than five years	-	702 521	75 997	259 705	1 927 663	1 528 571	4 494 457
More than five years	-	192 650	284 624	45 020	1 438 222	591 292	2 551 808
Total	<u>925 543</u>	<u>2 064 222</u>	<u>374 789</u>	<u>474 553</u>	<u>4 629 570</u>	<u>3 861 340</u>	<u>12 330 017</u>

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

	Held for trading derivatives	Designated at fair value through profit or loss	Amortised cost	Hedging derivatives	Total
	MHUF	MHUF	MHUF	MHUF	MHUF
Financial liabilities					
On demand and less than three months	476 434	48 552	4 147 366	1 428 035	6 100 387
More than three months but not more than one year	692 218	41	187 048	313 860	1 193 167
More than one but not more than five years	702 170	6 900	768 206	1 525 622	3 002 898
More than five years	192 517	-	282 423	591 292	1 066 232
Total	<u>2 063 339</u>	<u>55 493</u>	<u>5 385 043</u>	<u>3 858 809</u>	<u>11 362 684</u>

	Commitments to extend credit	Guarantees	Letters of credit	Total
	MHUF	MHUF	MHUF	MHUF
Commitments and contingent liabilities				
On demand and less than three months	985 056	1 153	516 001	1 502 210
More than three months but not more than one year	-	-	-	-
More than one but not more than five years	-	-	-	-
More than five years	-	-	-	-
Total	<u>985 056</u>	<u>1 153</u>	<u>516 001</u>	<u>1 502 210</u>

The Bank's exposure to the risk arising from the outflows of cash or other financial asset which can occur significantly earlier or can be for significantly different amounts from the data presented in the tables above is immaterial.

The Bank uses different ratios to measure and limit liquidity risk that arises from financial intermediation. The operational liquidity is monitored via limits on the unsecured liquidity gap, stress tests and "Basel III" and local regulatory liquidity indicators. From a structural liquidity point of view a group wide net stable funding ratio is used. The Bank is also analysing liquidity stress test results.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 42 – RISK MANAGEMENT (continued)**

*Operational liquidity* is measured by the unsecured liquidity gap limit. The operational liquidity gap is the difference between the cash in and outflows in different time horizons (5 days, 30 days) and an internal limit was set for the gap to be covered by Hungarian National Bank eligible collaterals. The Bank had sufficient liquidity gap surplus in 2025<sup>3</sup> and 2024<sup>2</sup>, having increasing reliance on sight deposits.

**Liquidity stress tests**

Contingency liquidity risk is assessed in the Bank on the basis of several liquidity stress scenarios. The aim of the stress tests is to measure how the liquidity buffer of the Bank evolves under stressed scenarios. For each scenario the evolution of the liquidity buffer is calculated: this is the amount of excess liquidity per time bucket. Excess liquidity is the amount of cash that is available which is not required to cover immediately maturing liabilities. The simulated liquidity buffer is the sum of two components: the expected cash evolution under stressed scenarios and the expected liquidity increasing actions under stressed scenarios. In essence, there are four different types of stress tests: K&H specific empirical scenario, 2013's Cyprus banking crisis inspired empirical scenario, Combined general market turmoil and Central Europe specific scenarios, and a reverse stress scenario. Under all scenarios the Bank would achieve the internally set survival period of one month and also the time to wall period is indicated which is sufficiently remote in each stress test.

**Basel III and regulatory ratios**

LCR and NSFR ratios prescribed in regulation from Basel III origin on liquidity measurement are calculated and reported regularly as key liquidity risk measure. Effective legal LCR threshold is 100% since 1 October 2015, the Bank's LCR ratio stood at 171% at the end of 2025<sup>4</sup> and at 196% at the end of 2024 meeting all time the regulatory minimum requirement. NSFR's 100% regulatory compliance is launched from 30 June 2021. The Bank stood at 136% at the end of 2025 and at 141% at the end of 2024.

**42.3 Market Risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Bank classifies exposures to market risk into either trading or non-trading portfolios.

***Market risk – trading***

The Bank is exposed to market risk via the trading books of the Bank's dealing room and via the FX exposure of the subsidiaries. The Bank has set limits on the level of market risk that may be accepted. The Bank applies VaR methodology to assess the market risk positions held and to estimate the potential economic loss based on a number of parameters and assumptions for various changes in market conditions. VaR is defined as an estimate of the amount of money that can be lost on a given portfolio due to market risk, over a defined holding period, to a given confidence level. The measure only considers the market risk of the current portfolio and does not attempt to capture possible losses due to further trading or hedging, counterparty default or operational losses.

In practice the actual trading results will differ from the VaR calculation and in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions. Market risk positions are also subject to regular stress tests to assess if the Bank would withstand market shocks.

There are a number of different approaches used in the industry to generate VaR, with each having a varying level of suitability for different sizes and types of portfolios. The pVaR issued by the Magyar Nemzeti Bank (MNB) was used for this purpose from October 2024.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 42 – RISK MANAGEMENT (continued)**

In the last quarter of 2024, the pVaR method was used. The pVaR model is a so-called variance-covariance model, which assumes a normal distribution of returns with an expected value of 0. The model assumes a holding period of 10 days and a 99% confidence level. (The use of the 99 confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, once every hundred days.) Given these parameters, the 1-day standard deviation of the portfolio of foreign exchange positions is multiplied by the 99% of the standard normal distribution and the root of the holding period. The official exchange rate data from the MNB are used as the authoritative exchange rate figures. The daily capital requirement for foreign exchange rate risk is the risk value given by this model plus three times the average risk value over the last 60 trading days, whichever is greater, unless the stressed value (sVaR) is one and a half times higher.

The Bank also performs a sVaR calculation using the 2009 high FX volatility period (stressed) exchange rate values and parameters (10 days, assumed normal distribution and 99% confidence level) that are the same as the parameters for the pVaR calculation. The higher of pVaR and 1.5 times the 60-day average of sVaR is taken as the capital requirement under Pillar 2.

From 2020 Q2, the Bank reports its trading risk capital requirement applying CRR. Art.94 – Derogation of Small Trading Book (STB), as a result of compliance with regulatory requirements. Hungarian National Bank accepted that the Bank was going to use STB. Position risk' capital requirement is henceforth calculated under the credit risk framework, thus the trading risk capital requirement decreased significantly. There is continuous daily monitoring and strong control environment in place which was accepted by Hungarian National Bank to provide STB compliance and regulatory requirements. From this point of time, total VaR equals with the foreign exchange VaR figures and interest rate VaR is no longer considered within trading risk.

In 2025 STB has been compliant with all requirements, daily VaR average has remained overall low, with two increased maximum value due to a momentarily high EUR position (both persisted 1 day).

No exposure to equity risk in order to meet STB rules.

VaR results can be presented as follows:

	<u>Foreign exchange pVaR</u> MHUF	<u>Foreign exchange sVaR</u> MHUF	<u>Interest rate</u> MHUF
2025 – 31 December	18	25	-
2025 – Average daily (60 days)	6	17	-
2025 – Highest	27	81	-
2025 – Lowest	1	2	-
2024 – 31 December	68	96	-
2024 – Average daily (60 days)	23	64	-
2024 – Highest	55	131	-
2024 – Lowest	6	18	-

Based on the measured values, the sVaR result has been found to be higher than the pVaR value for the period, so sVaR has been applied as capital requirement.

FX risk is handled via FX concentration limits in the Bank.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 42 – RISK MANAGEMENT (continued)***Market risk – Non-trading*

The Capital and Risk Oversight Committee (CROC) is responsible for controlling the value creation, the maturity transformation and the market risks of the banking book. Risk tolerance levels are allocated by KBC Group and approved by the K&H Board of Directors.

Majority of the Bank's ALM risks are interest rate related risks; consequently the tolerance level is limited in BPV terms (10-basispoint upward parallel yield curve shift impact on net present value). The interest rate risk is also measured with scenario analyses (including stressed environment). ALM-Capital Model determines the amount of capital that is required in view of the ALM risk profile in the banking book. ALM-CM measures the impact of very severe events on the Available Capital under Pillar I. Banking book's inherent risks are interest rate risk, inflation, real estate and equity risk that are measured and monitored according to the Bank approach. Foreign currency risk is not inherent in the banking book.

The BPV tables below present the results (risk measurement figure, does not directly reflected in the statement of financial position or in the income statement) of reasonable possible changes of the net present value (NPV) of the full banking book on 31 December 2024 and 2025. Possible alternative was calculated based on the scenario of 10 basis point parallel shifts in yield curves. The banking book is limited in BPV by an internally set limit. The results contain the impact of derivative exposures too.

	<u>2025</u>	<u>2024</u>
	<b>MHUF</b>	<b>MHUF</b>
EUR	(49.35)	59.15
CZK	(0.03)	(0.01)
HUF	(972.84)	(1 205.00)
USD	2.45	3.39
GBP	0.53	0.45
Other	(0.05)	(0.17)
Total	<u>(1 019.30)</u>	<u>(1 142.19)</u>

*Currency risk*

Currency or foreign exchange (FX) risk basically arises from mismatches in the currency structure of the Bank's assets and liabilities. Positions are monitored on a daily basis and the hedging strategy of the Bank is to close all material FX positions in the bank's banking book, thus currency risk is managed exclusively within the trading book. Trading FX exposure is managed within the trading limit, and the global hVaR limit of the Bank. For details see the market risk-trading section above.

*Fair valuation*

One of the building blocks of a sound market risk management is also the prudent valuation of positions valued at Fair Value. This applies to *HFT instruments*: Held For Trading (adjustments impact P&L), *FIFV instruments*: financial instruments designated at fair value through profit or loss (adjustments impact P&L) and *FVOCI instruments*: Fair value through other comprehensive income (adjustments impact equity).

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 42 – RISK MANAGEMENT (continued)**

The Bank's overall Valuation Framework stipulates that, when available, published independent price quotations from well-established active markets are used to determine Fair Value. In case of non-active markets, other valuation techniques (i.e. mark-to-model) are used in order to arrive at realistic estimates of Fair Value.

Consequently a daily independent valuation of front-office positions is performed by the Dealing Room Risk and Control Department. Market-observed prices used in the valuation are regularly validated by the Dealing Room Risk and Control Department via a formal parameter review process. Apart from market parameters, valuation techniques/models are also subject of independent review by the Dealing Room Risk and Control Department.

**42.4 Credit risk**

Credit risk is the potential shortfall relative to the value expected consequent on non-payment or non-performance by an obligor (a borrower, guarantor, counterparty to an inter-professional transaction or issuer of a debt instrument), due to that party's insolvency or lack of willingness to pay, or to events or measures taken by the political or monetary authorities of a particular country. The latter risk is also referred to as 'country risk'.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position. The Bank makes available to its customers guarantees which may require that the Bank makes payment on their behalf. Such payments are collected from customers based on the terms of the credit contracts. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

Credit risk is managed at both transactional and portfolio level. Managing credit risk at the transactional level means that there are sound procedures, processes and applications in place to estimate the risks before and after accepting individual credit exposures. Managing the risk at portfolio level encompasses periodic reporting on (parts of) the loan portfolio, monitoring limit discipline and the specific portfolio management function.

***Expected credit loss (ECL)***

Expected credit losses are modelled over the instrument's lifetime period. The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit. The exception from determining the lifetime exposure based on contractual maturity, for credit cards and overdrafts, the lifetime exposure is measured over a period that is based on expected life of the credit card contracts, based on internal statistics it is set to 30 years.

Management models *Lifetime ECL*, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument is based on various models developed both locally and centrally depending on the sub-portfolio. The *12-month ECL*, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

It is important to note that the ECLs estimated for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward looking information*, that is, ECLs reflect probability weighted development of key macroeconomic variables (e.g. unemployment, GDP evolution) that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as loans affected by settlement of CHF mortgage loans which were NPL at the time of settlement. (On 16 June 2014, the Hungarian Supreme Court rendered its decision regarding the legal assessment of foreign currency based loans ("FX loans") for consumers under Hungarian civil law. In accordance with the Conversion Act the Bank was required to convert foreign currency and foreign currency-based consumer mortgage loan contracts into Hungarian Forints with the effect date of 1 February 2015.)

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 42 – RISK MANAGEMENT (continued)**

For purposes of measuring PD, the Bank defines default as described in the Accounting policy – Definition of default chapter.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of three months. This period of three months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using the definition of cures.

Although the default/non-default flag is conceptually conceived on client level, a different treatment is allowed in case of retail exposures. For these exposures, the definition of default can be applied at the level of a particular facility, rather than at the level of the obligor. As a consequence, a default of a client on one retail exposure does not require to treat all other retail exposure of this client as defaulted as well.

The assessment whether or not there has been a significant increase in credit risk (“SICR”) since initial recognition is performed on an individual basis and on a portfolio basis. On loans issued to corporate entities, interbank loans and debt securities at AC or at FVOCI, SICR is assessed on an individual basis by monitoring the triggers stated below. For loans issued to individuals and other financial assets, SICR is assessed either on a portfolio basis or an individual basis, depending on the existence of scoring models. The criteria used to identify a SICR are monitored and reviewed periodically for appropriateness by the Bank’s Risk Management Department. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

The Bank considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

The assessment whether or not there has been a significant increase in credit risk (“SICR”) since initial recognition is performed on an individual basis and on a portfolio basis. On loans issued to corporate entities, interbank loans and debt securities at amortised cost or at fair value through other comprehensive income, SICR is assessed on an individual basis. For loans issued to individuals and other financial assets, SICR is assessed either on a portfolio basis or an individual basis, depending on the existence of scoring models. The criteria used to identify a SICR are monitored and reviewed periodically for appropriateness by the Bank’s Risk Management Department. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

The SICR criteria are detailed in Note 2.3.3.3 - Significant increase in credit risk since initial recognition.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 42 – RISK MANAGEMENT (continued)**

The level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Bank monitors whether that indicator continues to exist or has changed. The monitoring is done in an automated way in the engine which calculates ECL.

ECL for POCI financial assets is always measured on a lifetime basis. The Bank therefore only recognises the cumulative changes in lifetime expected credit losses.

The Bank has two approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio. The Bank performs an assessment on an individual basis for non-retail clients above HUF 300mln exposure. The Bank performs an assessment on a portfolio basis for the following types of loans: retail loans and non-retail loans where exposure is below HUF 300mln when no borrower-specific information is available.

ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome. The Bank defines at least two possible outcomes for each assessed loan, one of which leads to a credit loss even if the probability of such a scenario may be very low. Individual assessment is primarily based on the expert judgement of experienced officers from the Credit Management Department. Expert judgements are regularly tested in order to decrease the difference between estimates and actual losses.

When assessment is performed on a portfolio basis, the Bank determines the staging of the exposures and measures the loss allowance on a collective basis. The Bank analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings/models is monitored and reviewed on yearly periodic basis by the Modelling Department and validated by Credit Risk Department locally or centrally depending on the specific model.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained below, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future year during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. For revolving products, the EAD is predicted by taking the current drawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 42 – RISK MANAGEMENT (continued)**

PDs are used for calculating ECLs: The Bank uses different statistical approaches depending on the segment and product type to calculate lifetime ECLs, such as the extrapolation of 12-month ECLs based on migration matrixes, developing lifetime ECL curves based on the historical default data, hazard rate.

LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support. LGDs are determined based on the factors that impact the expected recoveries after a default event. The approach to LGD measurement can be divided into three possible approaches:

- measurement of LGD based on the specific characteristics of the collateral;
- calculation of LGD on a portfolio basis based on recovery statistics; or
- individually defined LGD depending on different factors and scenarios.

The Bank calculates LGD based on specific characteristics of the collateral, such as projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash and liquid securities. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of the corporate loan portfolio and for retail secured and unsecured products.

***ECL measurement for financial guarantees and loan commitments.*** The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment ("*ExOff*"). CCF for undrawn credit lines of corporate customers, credit cards and overdrafts issued to both individuals and non-retail entities, and for financial guarantees is defined based on statistical analysis of past exposures at default.

***Forward-looking information incorporated in the ECL models.*** The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Bank identified certain key economic variables that correlate with developments in credit risk and ECLs. Forecasts of economic variables (the "base economic scenario") are provided by the Bank's Chief Economist and provide the best estimate of the expected macro-economic development over the next five years. After five years, a mean reversion approach is used, which means that economic variables tend to revert to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP). The impact of the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Bank's Credit Risk Department also provides other possible scenarios (e.g. stress tests) along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure that non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking into account the range of possible outcomes of which each chosen scenario is representative. The assessment of SICR is performed using Lifetime PD, along with qualitative and backstop indicators. In 2024 ASSA factor\* was also introduced to the Lifetime PD stage assessment. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether a 12-month or lifetime ECL should be recorded. Following this assessment, the Bank measures ECL as either a probability-weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

\* For improving the forward looking aspect of IFRS9, ASSA (Automated Sector Stress Analyser) was incorporated in the LTPD for staging by multiplying only the first year CPD in line with the short-term nature of ASSA.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**
**NOTES TO THE FINANCIAL STATEMENTS**
**NOTE 42 – RISK MANAGEMENT (continued)**

The Bank regularly reviews its methodology (back testing) and assumptions to reduce any difference between the estimates and the actual loss of credit. Such back testing is performed annually for high-priority portfolios and every two years for low-priority portfolios.

The results of backtesting the ECL measurement methodology are communicated to Bank Management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

**Accounting judgements and estimates related to ECL**

The following table presents the sensitivity analysis of the economic scenarios and the impairments recorded on and impairment recorded on debt instruments at fair value through other comprehensive income, debt instruments held at amortised cost and provision on commitments and contingent liabilities as at 31 December 2025.

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	MHUF	MHUF	MHUF	MHUF
Base scenario	6 356	9 561	5 643	21 559
Up scenario	5 045	13 191	6 049	24 285
Down scenario	<u>7 493</u>	<u>15 811</u>	<u>6 064</u>	<u>29 368</u>
Collectively calculated - weighted average	6 321	11 537	5 808	23 666
Individually calculated	<u>-</u>	<u>-</u>	<u>6 724</u>	<u>6 724</u>
Total impairment recorded	<u><u>6 321</u></u>	<u><u>11 537</u></u>	<u><u>12 532</u></u>	<u><u>30 390</u></u>

The following table presents the sensitivity analysis of the economic scenarios and the impairments recorded on and impairment recorded on debt instruments at fair value through other comprehensive income, debt instruments held at amortised cost and provision on commitments and contingent liabilities as at 31 December 2024.

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	MHUF	MHUF	MHUF	MHUF
Base scenario	6 475	7 784	5 502	19 761
Up scenario	8 462	8 456	6 130	23 049
Down scenario	<u>10 288</u>	<u>11 400</u>	<u>6 152</u>	<u>27 841</u>
Collectively calculated - weighted average	7 635	8 642	5 758	22 035
Individually calculated	<u>-</u>	<u>-</u>	<u>8 285</u>	<u>8 285</u>
Total impairment recorded	<u><u>7 635</u></u>	<u><u>8 642</u></u>	<u><u>14 043</u></u>	<u><u>30 320</u></u>

Due to the war between Russia and Ukraine that broke out in the 2022, an overlay was formed due to emerging risks. The size of the overlay is reviewed every quarter and the amount changes depending on the result.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

The Bank released HUF 965 million net impairment for the geopolitical and emerging risks in 2025 (of which ASSA impact amounted to 859 million impairment charge, tier5\* stage transfer and mortgage interest cap\*\* overlay resulted in 279 million and 1 545 million HUF impairment release, respectively) compared to the HUF 5 930 million net impairment release in 2024. The outstanding balance of ECL for the geopolitical and emerging risks amounts to 5 067 million HUF at the end of 2025.

The Bank used supportable forward looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. The most significant forward looking assumptions for Hungary that correlate with ECL level and their assigned weights were as follows at 31 December 2025:

2025. December 31.			Assumption for:				
Variable	Scenario	Assigned weight	2026	2027	2028	2029	2030
<b>Unemployment rate</b>	Base	60%	4.0%	3.7%	3.4%	3.4%	3.4%
	Optimistic	20%	3.3%	2.7%	2.0%	2.3%	2.5%
	Pessimistic	20%	4.7%	4.7%	4.8%	4.6%	4.3%
<b>Real GDP Growth rate</b>	Base	60%	2.4%	3.0%	2.8%	2.6%	2.4%
	Optimistic	20%	4.4%	5.9%	6.3%	5.5%	4.8%
	Pessimistic	20%	0.4%	0.2%	-0.7%	-0.3%	0.1%

2024. December 31.

2024. December 31.			Assumption for:				
Variable	Scenario	Assigned weight	2025	2026	2027	2028	2029
<b>Unemployment rate</b>	Base	60%	4.3%	3.9%	3.7%	3.7%	3.6%
	Optimistic	20%	3.6%	3.0%	2.4%	2.6%	2.8%
	Pessimistic	20%	5.0%	4.8%	4.9%	4.7%	4.5%
<b>Real GDP Growth rate</b>	Base	60%	2.4%	3.1%	3.0%	2.8%	2.5%
	Optimistic	20%	4.3%	5.8%	6.3%	5.5%	4.7%
	Pessimistic	20%	0.6%	0.5%	-0.2%	0.1%	0.4%

The Bank uses two variables for the ECL calculation: unemployment rate and real GDP growth rate. The Bank updates the macroeconomic assumptions quarterly.

\*The ECL management overwrite to recognise vulnerable portfolios and transfer them to Stage 2 not captured by the staging models.

\*\*The ECL management overlay addresses the estimated impact of risks arising from interest cap measures on the Bank's retail credit portfolio, which are not captured by the ASSA tool.

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 42 – RISK MANAGEMENT (continued)**

The industry breakdown of loans and advances is presented in the table below:

	<u>2025</u>	<u>2024</u>
	<b>MHUF</b>	<b>MHUF</b>
Industry sector		
Agriculture, forestry and fishing	136 966	142 593
Mining and quarrying	549	264
Manufacturing	316 576	348 848
Electricity, gas, steam and air conditioning supply	105 237	107 314
Water supply	5 971	8 475
Construction	44 373	60 060
Wholesale and retail trade	218 091	195 423
Transport and storage	132 707	71 536
Accommodation and food service activities	17 330	17 250
Information and communication	12 573	15 733
Financial and insurance activities	158 347	150 684
Real estate activities	279 047	248 026
Professional, scientific and technical activities	93 387	87 415
Administrative and support service activities	34 858	30 271
Public administration and defence, compulsory social security	19	11
Education	1 391	1 411
Human health services and social work activities	3 359	3 252
Arts, entertainment and recreation	852	753
Central bank	403 943	885 324
Individuals	1 464 742	1 235 958
Central governments	130 083	113 621
Municipalities	25 066	25 976
Credit institutions	602 857	482 768
Other services	2 484	4 007
	<u>4 190 808</u>	<u>4 236 973</u>
Gross loans and advances	<u>4 190 808</u>	<u>4 236 973</u>
Total impairment on loans and advances (see Note 15)	<u>(25 723)</u>	<u>(26 367)</u>
Total loans and advances	<u><u>4 165 085</u></u>	<u><u>4 210 606</u></u>

The table includes the net carrying amount of loans and advances mandatorily at fair value through profit or loss and at amortised cost, and cash balances with central banks and other demand deposits to credit institutions.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 42 – RISK MANAGEMENT (continued)**

Collateral and other credit enhancements

In compliance with its business policy the Bank does not grant collateral-based financing (i.e. financing that is not based on the loan repayment capacity of the client), however, there is one exception to this rule in case of a special credit type when the loan is collateralized with cash deposit. The borrower's cash flow represents the primary – direct – source of loan repayment to the Bank.

The inclusion of any type of collateral is subject to the assessment of the credit solvency of the client/guarantor, in the course of which the assets in question must be evaluated in compliance with the concerning internal regulations.

The main types of collateral applied are as follows:

- for retail lending, mortgages on residential real estate,
- for commercial lending, mortgage on real estate properties (both commercial and residential), state and institutional guarantees, and pledge on inventory and trade receivables,
- for securities lending cash deposits or security pledges.

The Bank also obtains guarantees from parent companies for loans to their subsidiaries.

In case of corporate clients relationship-managers monitor the market value of collaterals, regularly request for a review of the concerning collateral or requests additional collateral behind the deal if necessary. For defaulted counterparties, collaterals are assessed thoroughly to estimate expected recovery in order to set necessary level of impairments. For retail clients the regularly updated indexed market values are used.

The carrying amount of investment properties and other assets, which were obtained by the Bank by taking possession during 2025 amounted to HUF 33 million (HUF 41 million in 2024).

The Bank sells its assets obtained as collateral instead of using them for its operation.

The following tables present un-, under- and full or over collateralised loans and advances, The tables include the fair value of collaterals maximized to the net carrying amount of loans and advances, loan commitments, guarantees and other commitments given.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

	<u>Under collateralised loans</u>		<u>Full and over collateralised loans</u>			<u>Total carrying amount of loans</u>	<u>Total fair value of collateral</u>
	<u>Carrying amount of loans</u>	<u>Fair value of collateral</u>	<u>Carrying amount of loans</u>	<u>Fair value of collateral</u>	<u>Uncollateralised loans</u>		
	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>		
Loans and advances at 31 December 2025							
Central bank and credit institutions	193 425	185 944	-	-	813 289	1 006 714	185 944
General government	131 357	92 686	21	21	23 691	155 069	92 707
Corporate	906 584	524 714	155 094	155 094	488 458	1 550 136	679 808
of which: Small and Medium enterprises	466 767	276 559	123 435	123 435	178 539	768 741	399 994
Households	93 452	85 226	1 182 068	1 182 517	177 646	1 453 166	1 267 743
Consumer credit	76 843	74 795	225 890	225 891	157 344	460 077	300 686
Credit card	-	-	-	-	8 145	8 145	-
Current account	23	19	7	7	11 821	11 851	26
Finance lease	735	719	1 321	1 321	6	2 062	2 040
Mortgage loan	5 519	3 950	946 410	946 858	-	951 929	950 808
Term loan	10 332	5 743	8 440	8 440	330	19 102	14 183
<b>Total</b>	<b>1 324 818</b>	<b>888 570</b>	<b>1 337 183</b>	<b>1 337 632</b>	<b>1 503 084</b>	<b>4 165 085</b>	<b>2 226 202</b>
Loan commitments and guarantees at 31 December 2025							
Loan commitments	211 099	134 929	701	701	1 056 170	1 267 970	135 630
Financial guarantees	845	653	12	12	111	968	665
Other commitments	283 998	108 411	656	656	222 171	506 825	109 067
<b>Total</b>	<b>495 942</b>	<b>243 993</b>	<b>1 369</b>	<b>1 369</b>	<b>1 278 452</b>	<b>1 775 763</b>	<b>245 362</b>

The table includes the net carrying amount of loans and advances mandatorily at fair value through profit or loss and at amortised cost, and cash balances with central banks and other demand deposits to credit institutions. The fair value of collaterals is maximised to the net carrying amount of the loans and loan commitments.

SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 42 – RISK MANAGEMENT (continued)

	<u>Under collateralised loans</u>		<u>Full and over collateralised loans</u>			<u>Total carrying amount of loans</u>	<u>Total fair value of collateral</u>
	<u>Carrying amount of loans</u>	<u>Fair value of collateral</u>	<u>Carrying amount of loans</u>	<u>Fair value of collateral</u>	<u>Uncollateralised loans</u>		
	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>		
Loans and advances at 31 December 2024							
Central bank and credit institutions	202 972	195 440	14 998	14 998	1 150 064	1 368 034	210 438
General government	125 590	99 424	267	267	13 690	139 547	99 691
Corporate	963 153	522 099	152 707	152 707	364 335	1 480 195	674 806
of which: Small and Medium enterprises	532 467	293 373	115 325	115 325	170 249	818 041	408 698
Households	91 239	83 609	840 838	840 838	290 753	1 222 830	924 447
Consumer credit	72 560	71 103	188 807	188 807	127 143	388 510	259 910
Credit card	-	-	-	-	7 035	7 035	-
Current account	1 091	590	136	136	6 413	7 640	726
Finance lease	947	928	796	796	1	1 744	1 724
Mortgage loan	6 382	4 540	642 200	642 200	148 614	797 196	646 740
Term loan	10 259	6 448	8 899	8 899	1 547	20 705	15 347
Total	<u>1 382 954</u>	<u>900 572</u>	<u>1 008 810</u>	<u>1 008 810</u>	<u>1 818 842</u>	<u>4 210 606</u>	<u>1 909 382</u>
Loan commitments and guarantees at 31 December 2024							
Loan commitments	227 728	111 388	1 068	1 068	756 260	985 056	112 456
Financial guarantees	987	697	-	-	164	1 151	697
Other commitments	288 745	100 100	270	270	226 986	516 001	100 370
Total	<u>517 460</u>	<u>212 185</u>	<u>1 338</u>	<u>1 338</u>	<u>983 410</u>	<u>1 502 208</u>	<u>213 523</u>

The table includes the net carrying amount of loans and advances mandatorily at fair value through profit or loss and at amortised cost, and cash balances with central banks and other demand deposits to credit institutions. The fair value of collaterals is maximised to the net carrying amount of the loans and loan commitments.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

The breakdown of loans and advances\* by the type of collateral is presented below.

	Collateralised by								Total carrying amount of loans MHUF	Total fair value of collateral MHUF
	residential immovable property		commercial immovable property		debt securities		other			
	Carrying amount of loans MHUF	Fair value of collateral MHUF	Carrying amount of loans MHUF	Fair value of collateral MHUF	Carrying amount of loans MHUF	Fair value of collateral MHUF	Carrying amount of loans MHUF	Fair value of collateral MHUF		
Loans and advances* at 31 December 2025										
Central bank and credit institutions	-	-	-	-	-	-	193 425	185 944	193 425	185 944
General government	-	-	5 044	1 682	-	-	126 334	91 025	131 378	92 707
Corporate	-	-	698 170	463 150	36 706	2 818	326 802	213 840	1 061 678	679 808
of which: Small and Medium enterprises	-	-	380 064	250 006	461	196	209 677	149 792	590 202	399 994
Households	1 254 659	1 251 491	8 269	4 635	121	113	12 471	11 504	1 275 520	1 267 743
Consumer credit	302 733	300 686	-	-	-	-	-	-	302 733	300 686
Credit card	-	-	-	-	-	-	-	-	-	-
Current account	-	-	4	4	-	-	26	22	30	26
Finance lease	-	-	-	-	-	-	2 056	2 040	2 056	2 040
Mortgage loan	951 926	950 805	-	-	3	3	-	-	951 929	950 808
Term loan	-	-	8 265	4 631	118	110	10 389	9 442	18 772	14 183
<b>Total</b>	<b>1 254 659</b>	<b>1 251 491</b>	<b>711 483</b>	<b>469 467</b>	<b>36 827</b>	<b>2 931</b>	<b>659 032</b>	<b>502 313</b>	<b>2 662 001</b>	<b>2 226 202</b>
Unsecured exposures	157 275	-	499	-	3	-	1 345 307	-	1 503 084	-
Total carrying value loans and advances to customers at amortised cost (amount representing exposure to credit risk for each class of loans at amortised cost)	1 411 934	1 251 491	711 982	469 467	36 830	2 931	2 004 339	502 313	4 165 085	2 226 202

\*The table includes the net carrying amount of loans and advances mandatorily at fair value through profit or loss and at amortised cost, and cash balances with central banks and other demand deposits to credit institutions

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

	Collateralised by								Total carrying amount of loans MHUF	Total fair value of collateral MHUF
	residential immovable property		commercial immovable property		debt securities		other			
	Carrying amount of loans MHUF	Fair value of collateral MHUF	Carrying amount of loans MHUF	Fair value of collateral MHUF	Carrying amount of loans MHUF	Fair value of collateral MHUF	Carrying amount of loans MHUF	Fair value of collateral MHUF		
Loans and advances* at 31 December 2024										
Central bank and credit institutions	-	-	-	-	-	-	217 970	210 438	217 970	210 438
General government	-	-	5 837	1 257	-	-	120 020	98 434	125 857	99 691
Corporate	-	-	762 115	463 108	1 829	1 445	351 916	210 253	1 115 860	674 806
of which: Small and Medium enterprises	-	-	422 857	256 174	1 829	1 445	223 106	151 079	647 792	408 698
Households	909 949	906 647	7 917	4 744	36	39	14 175	13 017	932 077	924 447
Consumer credit	261 367	259 910	-	-	-	-	-	-	261 367	259 910
Credit card	-	-	-	-	-	-	-	-	-	-
Current account	-	-	779	540	-	-	448	186	1 227	726
Finance lease	-	-	-	-	-	-	1 743	1 724	1 743	1 724
Mortgage loan	648 582	646 737	-	-	-	3	-	-	648 582	646 740
Term loan	-	-	7 138	4 204	36	36	11 984	11 107	19 158	15 347
Total	<u>909 949</u>	<u>906 647</u>	<u>775 869</u>	<u>469 109</u>	<u>1 865</u>	<u>1 484</u>	<u>704 081</u>	<u>532 142</u>	<u>2 391 764</u>	<u>1 909 382</u>
Unsecured exposures	275 749	-	247	-	6	-	1 542 840	-	1 818 842	-
Total carrying value loans and advances to customers at amortised cost (amount representing exposure to credit risk for each class of loans at amortised cost)	<u>1 185 698</u>	<u>906 647</u>	<u>776 116</u>	<u>469 109</u>	<u>1 871</u>	<u>1 484</u>	<u>2 246 921</u>	<u>532 142</u>	<u>4 210 606</u>	<u>1 909 382</u>

\*The table includes the net carrying amount of loans and advances in the loans and receivables portfolio and cash balances with central banks and other demand deposits to credit institutions.

Collaterals behind non performing or past due financial assets amounted to HUF 19 916 million as at 31 December 2025 (HUF 23 487 million as at 31 December 2024). The amount of the collaterals includes the indexed or reviewed collateral value limited to the carrying amount of the related asset.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

The following table presents loans and advances by stage categories.

	<b>Loans and advances at amortised cost</b>						<b>Total net carrying amount MHUF</b>
	<b>Gross carrying amount</b>			<b>Accumulated impairment</b>			
	<b>Stage 1 MHUF</b>	<b>Stage 2 MHUF</b>	<b>Stage 3 MHUF</b>	<b>Stage 1 MHUF</b>	<b>Stage 2 MHUF</b>	<b>Stage 3 MHUF</b>	
Loans and advances* at 31 December 2025							
Central bank and credit institutions	1 006 798	-	-	(84)	-	-	1 006 714
General government	153 077	2 072	-	(56)	(24)	-	155 069
Corporate	1 272 212	271 877	20 029	(2 833)	(3 160)	(7 989)	1 550 136
of which: Small and Medium enterprises	672 393	92 961	10 957	(1 285)	(1 711)	(4 574)	768 741
Households	760 905	172 785	7 782	(940)	(7 233)	(3 382)	929 917
of which: purchased or originated credit impaired		3 200	803			(135)	3 868
Consumer credit	118 398	41 248	2 974	(585)	(1 850)	(1 428)	158 757
Credit card	7 455	918	109	(59)	(205)	(73)	8 145
Current account	6 663	5 812	1 483	(38)	(886)	(1 183)	11 851
Finance lease	1 665	392	7	(1)	-	(1)	2 062
Mortgage loan	613 737	118 323	3 147	(249)	(4 272)	(686)	730 000
Term loan	12 987	6 092	62	(8)	(20)	(11)	19 102
<b>Total</b>	<b>3 192 992</b>	<b>446 734</b>	<b>27 811</b>	<b>(3 913)</b>	<b>(10 417)</b>	<b>(11 371)</b>	<b>3 641 836</b>

\*Including cash balance with central banks and other demand deposits to credit institutions.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

	<b>Loans and advances at amortised cost</b>						<b>Total net carrying amount MHUF</b>
	<b>Gross carrying amount</b>			<b>Accumulated impairment</b>			
	<b>Stage 1 MHUF</b>	<b>Stage 2 MHUF</b>	<b>Stage 3 MHUF</b>	<b>Stage 1 MHUF</b>	<b>Stage 2 MHUF</b>	<b>Stage 3 MHUF</b>	
Loans and advances* at 31 December 2024							
Central bank and credit institutions	1 368 093	-	-	(59)	-	-	1 368 034
General government	139 579	18	-	(50)	-	-	139 547
Corporate	1 295 886	173 736	23 706	(2 506)	(1 862)	(8 765)	1 480 195
of which: Small and Medium enterprises	722 344	91 380	11 291	(1 367)	(1 257)	(4 350)	818 041
Households	626 007	218 627	8 418	(3 489)	(6 133)	(3 476)	839 954
of which: purchased or originated credit impaired	-	3 336	1 000	-	-	(193)	4 143
Consumer credit	65 591	63 711	3 130	(402)	(2 238)	(1 512)	128 280
Credit card	6 373	751	48	(39)	(66)	(32)	7 035
Current account	3 972	4 006	1 049	(18)	(502)	(867)	7 640
Finance lease	1 311	427	11	-	(2)	(3)	1 744
Mortgage loan	535 279	142 549	4 039	(3 019)	(3 255)	(1 043)	674 550
Term loan	13 481	7 183	141	(11)	(70)	(19)	20 705
<b>Total</b>	<b>3 429 565</b>	<b>392 381</b>	<b>32 124</b>	<b>(6 104)</b>	<b>(7 995)</b>	<b>(12 241)</b>	<b>3 827 730</b>

\*Including cash balance with central banks and other demand deposits to credit institutions.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

**Credit risk exposure for each internal risk rating**

The table below includes outstanding exposure of loans and loan commitments to customers and banks (without any money market position). Past due assets are distributed to the internal risk rating classes.

	<b>Historical default rates 2025</b>	<b>Average unsecured share of exposure 2025</b>	<b>Total 2025</b>	<b>Historical default rates 2024</b>	<b>Average unsecured share of exposure 2024</b>	<b>Total 2024</b>
			<b>MHUF</b>			<b>MHUF</b>
PD 1-2	0.00%	72.04%	1 219 162	0.00%	79.64%	1 262 251
PD 3-4	0.04%	58.98%	1 342 850	0.05%	58.36%	1 386 665
PD 5-9	0.60%	64.49%	1 578 546	0.48%	61.30%	1 527 902
PD 10-12	100.00%	70.29%	<u>24 527</u>	100.00%	61.26%	<u>33 788</u>
Total			<u>4 165 085</u>			<u>4 210 606</u>

\* Impaired (PD10-12) portfolio per credit grades compared to last year's total non-impaired portfolio.

The description of the above used internal PD rating is the following:

- PD 1-2 - Very Low Risk category, PD% between 0.1% - 0.2%, performing
- PD 3-4 - Low Risk category, PD% between 0.2% - 0.8%, performing
- PD 5-9 - Medium/High Risk category, PD% between 0.8% - 100%, performing
- PD 10-12 - Default, PD% = 100%, non-performing

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

The following tables present the distribution of the loan portfolio according to the internal ratings.

	Performing (STAGE1 + STAGE2)									Non-performing (STAGE3)			Total
	PD1	PD2	PD3	PD4	PD5	PD6	PD7	PD8	PD9	PD10	PD11	PD12	
	%	%	%	%	%	%	%	%	%	%	%	%	%
Loans and advances* at 31 December 2025													
Central bank and credit institutions	1.3	22.3	0.1	0.4	-	-	-	-	-	-	-	-	24.1
General government	0.3	2.0	0.3	0.3	0.1	0.1	-	-	-	-	-	-	3.1
Corporate	0.9	2.9	3.0	6.7	9.0	10.4	5.1	0.6	0.3	0.1	-	0.2	39.2
of which: Small and Medium enterprises	0.9	1.0	1.8	3.6	4.2	4.1	3.2	0.4	0.3	0.1	0.1	0.1	19.8
Households	-	0.3	1.4	11.0	5.3	11.3	3.0	0.6	0.6	-	0.1	-	33.6
Consumer credit	-	-	-	1.8	0.5	6.9	0.9	0.2	0.2	-	-	-	10.5
Credit card	-	-	-	-	-	0.1	-	-	0.1	-	-	-	0.2
Current account	-	-	-	0.1	-	0.1	0.1	-	-	-	-	-	0.3
Finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage loan	-	0.3	1.3	9.0	4.6	4.1	1.9	0.3	0.2	-	-	-	21.7
Term loan	-	-	-	0.1	0.2	0.1	0.1	-	-	-	-	-	0.5
Total	2.5	27.5	4.8	18.4	14.4	21.8	8.1	1.2	0.9	0.1	0.1	0.2	100.0

\*The table includes the distribution of loans and advances and “Cash balances with central banks and other demand deposits to credit institutions”.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

The following tables present the distribution of the loan portfolio according to the internal ratings.

	Performing (STAGE1 + STAGE2)									Non-performing (STAGE3)			Total %
	PD1 %	PD2 %	PD3 %	PD4 %	PD5 %	PD6 %	PD7 %	PD8 %	PD9 %	PD10 %	PD11 %	PD12 %	
Loans and advances* at 31 December 2024													
Central bank and credit institutions	5.0	27.3	-	-	-	-	-	-	-	-	-	-	32.3
General government	-	0.1	3.0	0.3	-	-	-	-	-	-	-	-	3.4
Corporate	0.3	3.6	2.3	5.5	12.6	7.5	2.1	0.3	0.2	0.2	-	-	34.6
of which: Small and Medium enterprises	0.3	2.3	1.3	3.2	5.6	4.1	1.6	0.2	0.2	0.1	-	-	18.9
Households	-	1.1	10.5	8.3	4.8	1.4	2.9	0.3	0.3	0.1	-	-	29.7
Consumer credit	-	-	-	5.8	0.5	0.5	2.4	0.1	0.1	-	-	-	9.4
Credit card	-	-	-	0.1	0.1	-	-	-	-	-	-	-	0.2
Current account	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage loan	-	1.1	10.5	2.2	4.1	0.7	0.4	0.2	0.2	0.1	-	-	19.5
Term loan	-	-	-	0.1	0.1	0.2	0.1	-	-	-	-	-	0.5
<b>Total</b>	<b>5.3</b>	<b>32.1</b>	<b>15.8</b>	<b>14.1</b>	<b>17.4</b>	<b>8.9</b>	<b>5.0</b>	<b>0.6</b>	<b>0.5</b>	<b>0.3</b>	<b>-</b>	<b>-</b>	<b>100.0</b>

\*The table includes the distribution of loans and advances and “Cash balances with central banks and other demand deposits to credit institutions”.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 42 – RISK MANAGEMENT (continued)**

**42.5 Credit risk – forborne loans**

The policy on forbearance is based on the directive of the European Banking Authorities (EBA) harmonizing the definitions of forbearance and non-performing loans within the EU from 30/09/2014 on and on Regulation 39/2016 issued by the Hungarian National Bank.

Forbearance is similar to distressed renegotiations whereby the bank agrees to renegotiate the existing contracts and obligations for a borrower with financial difficulties in order to avoid default (e.g. in order to avoid overdue interest, rent, capital and/or fees). Please note that the moratorium instated by the Hungarian government is not an automatic trigger for forbearance.

However, in 2022, in a prudent manner the bank reclassified customers who had been participating in the moratorium for 9 months as non-performing forborne loans, in accordance with EBA regulations. After the Healing period elaborated in the mentioned EBA regulations the majority of these deals migrated back to Performing Forborne status from High Risk Forborne status (NPL) no payment difficulties to speak of were observed. This of course also triggered the migration of affected clients from Stage3 to Stage2 IFRS category. Taking into consideration that the majority of these clients showed no signs of facing payment difficulties, the expectation is that they will migrate further to Stage1. This will likely happen during 2026.

Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments.

A concession refers to either of the following actions:

- a) a modification of the terms and conditions of an existing contract because the debtor is considered unable to comply with the terms and conditions of the contract due to its financial difficulties and whereby the modification in principle would not have been granted in case the debtor would not have been in financial difficulties;
- b) a total or partial refinancing of a troubled debt contract because the debtor is considered unable to comply with the terms and conditions of the troubled debt due to its financial difficulties and whereby the partial refinancing in principle would not have been granted in case the debtor would not have been in financial difficulties.

The above means that an exposure should be perceived as forborne in case that two conditions are met:

- a) The bank granted concessions towards the borrower
- b) due to the fact that the borrower has financial difficulties.

The forbearance classification is discontinued when all the following conditions are met:

- a minimum 2 year probation period has passed from the date the forborne exposure was considered as performing;
- the contract is considered as performing, including if it has been reclassified from the non-performing category after an analysis of the financial condition of the debtor showed it no longer met the conditions to be considered as non-performing;
- regular payments of more than an insignificant aggregate amount of principal or interest have been made during at least half of the probation period;
- none of the exposures to the debtor is more than 30 days past-due at the end of the probation period.

A non-performing exposure for which forbearance measurement has been applied can not be considered as performing for at least one year after the forbearance measurement.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

The rating category of the debtor can not improve due to the forbearance measurement. The Bank classifies borrowers with forbore exposures to at least PD9. In the following cases forbore borrowers are classified to a default status (i.e. at least PD 10):

- a second forbearance during the probation period;
- in case of 30 days past due for an amount exceeding the default materiality threshold of 2 of the exposure or HUF 250 000 during the probation period;
- partial and/or full debt forgiveness.

Forbearance measurement is applied on facility level (not on entire exposure).

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

The following table presents forborne loans.

	Mandatorily at fair value through profit or loss			At amortised cost		
	Gross carrying amount	Accumulated negative changes in fair value due to credit risk	Total	Gross carrying amount	Accumulated impairment	Total
Loans and advances at 31 December 2025						
Corporate	-	-	-	13 916	(3 872)	10 044
of which: Small and Medium enterprises	-	-	-	8 604	(2 191)	6 413
Households	3 497	(4)	3 493	23 857	(1 132)	22 725
Consumer credit	2 172	-	2 172	2 740	(183)	2 557
Credit card	-	-	-	91	(5)	86
Current account	-	-	-	256	(52)	204
Finance lease	-	-	-	-	-	-
Mortgage loan	1 325	(4)	1 321	20 358	(890)	19 468
Term loan	-	-	-	411	(3)	408
Total	3 497	(4)	3 493	37 773	(5 004)	32 769

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

The following table presents forborne loans.

	Mandatorily at fair value through profit or loss			At amortised cost		
	Gross carrying amount	Accumulated negative changes in fair value due to credit risk	Total	Gross carrying amount	Accumulated impairment	Total
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Loans and advances at 31 December 2024						
Corporate	-	-	-	22 912	(6 930)	15 982
of which: Small and Medium enterprises	-	-	-	9 023	(2 650)	6 373
Households	3 804	(7)	3 797	27 961	(1 589)	26 372
Consumer credit	2 308	-	2 308	4 034	(341)	3 693
Credit card	-	-	-	97	(11)	86
Current account	-	-	-	180	(26)	154
Finance lease	-	-	-	-	-	-
Mortgage loan	1 496	(7)	1 489	23 153	(1 205)	21 948
Term loan	-	-	-	497	(6)	491
Total	3 804	(7)	3 797	50 873	(8 519)	42 354

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

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##### NOTE 42 – RISK MANAGEMENT (continued)

There were no forbore commitments and guarantees in 2025 and 2024.

The following table explains the change of forbore loans.

	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Balance as at the beginning of the period	46 151	56 255
Loans which have become forbore	5 174	1 120
Loans which are no longer considered to be forbore	(5 301)	(3 693)
Repayments	(12 529)	(12 177)
Change in the impairment of forbore loans	1 729	3 446
Other	1 036	1 200
	<u>36 260</u>	<u>46 151</u>
Balance as at the end of the period	<u>36 260</u>	<u>46 151</u>

The Bank recorded HUF 2 322 million interest income on forbore loans in the income statement in 2025 (HUF 3 184 million in 2024).

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

Aging analysis and quality of forborne loans and advances as at 31 December 2025 is as follows:

	<b>Loans and advances*</b>							<b>Total MHUF</b>
	<b>Performing</b>				<b>Non-performing</b>			
	<b>Not past due MHUF</b>	<b>Past due &lt;= 30 days MHUF</b>	<b>Past due &gt; 30 days &lt;= 90 days MHUF</b>	<b>Past due &gt; 90 days MHUF</b>	<b>Past due &lt;= 30 days MHUF</b>	<b>Past due &gt; 30 days &lt;= 90 days MHUF</b>	<b>Past due &gt; 90 days MHUF</b>	
Loans and advances at 31 December 2025								
Corporate	5 654	136	4	-	3 501	15	734	10 044
of which: Small and Medium enterprises	3 912	136	6	-	1 605	17	737	6 413
Households	23 049	1 456	141	1	1 061	168	343	26 218
Consumer credit	4 223	204	19	-	197	35	53	4 731
Credit card	82	-	1	-	3	-	-	86
Current account	90	91	4	-	14	-	5	204
Finance lease	-	-	-	-	-	-	-	-
Mortgage loan	18 253	1 161	117	1	843	132	283	20 789
Term loan	401	-	-	-	4	1	2	408
<b>Total</b>	<b>28 703</b>	<b>1 592</b>	<b>145</b>	<b>1</b>	<b>4 562</b>	<b>183</b>	<b>1 077</b>	<b>36 262</b>

\*The table includes the net carrying amount of loans and advances mandatorily at fair value through profit or loss and at amortised cost, and cash balances with central banks and other demand deposits to credit institutions.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

Aging analysis and quality of forborne loans and advances as at 31 December 2024 is as follows:

	Loans and advances*							Total MHUF
	Performing				Non-performing			
	Not past due MHUF	Past due <= 30 days MHUF	Past due > 30 days <= 90 days MHUF	Past due > 90 days MHUF	Past due <= 30 days MHUF	Past due > 30 days <= 90 days MHUF	Past due > 90 days MHUF	
Loans and advances at 31 December 2024								
Corporate	3 655	14	-	-	11 401	14	898	15 982
of which: Small and Medium enterprises	1 806	14	2	-	3 633	15	903	6 373
Households	26 011	1 844	65	2	1 404	318	525	30 169
Consumer credit	5 237	310	10	2	306	68	68	6 001
Credit card	79	-	-	-	6	-	1	86
Current account	128	17	2	-	5	1	1	154
Finance lease	-	-	-	-	-	-	-	-
Mortgage loan	20 093	1 512	52	-	1 080	249	451	23 437
Term loan	474	5	1	-	7	-	4	491
<b>Total</b>	<b>29 666</b>	<b>1 858</b>	<b>65</b>	<b>2</b>	<b>12 805</b>	<b>332</b>	<b>1 423</b>	<b>46 151</b>

\*The table includes the net carrying amount of loans and advances mandatorily at fair value through profit or loss and at amortised cost, and cash balances with central banks and other demand deposits to credit institutions.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

Staging of forborne loans and advances are presented as follows.

	<b>Loans and advances at amortised cost*</b>						
	<b>Gross carrying amount</b>			<b>Accumulated impairment</b>			<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>	<b>MHUF</b>
Loans and advances* at 31 December 2025							
Corporate	2	6 016	7 898	-	(224)	(3 648)	10 044
of which: Small and Medium enterprises	2	4 245	4 357	-	(193)	(1 998)	6 413
Households	2 226	19 662	1 969	(4)	(666)	(462)	22 723
of which: purchased or originated credit impaired	-	1 526	559	-	(26)	(110)	1 949
Consumer credit	154	2 234	353	(1)	(74)	(107)	2 559
Credit card	25	62	4	-	(4)	(1)	86
Current account	44	155	57	-	(14)	(38)	204
Finance lease	-	-	-	-	-	-	-
Mortgage loan	2 003	16 810	1 545	(3)	(574)	(313)	19 468
Term loan	-	401	10	-	-	(3)	408
<b>Total</b>	<b>2 228</b>	<b>25 678</b>	<b>9 867</b>	<b>(4)</b>	<b>(890)</b>	<b>(4 110)</b>	<b>32 769</b>

\*Also including cash balances with central banks and other demand deposits to credit institutions.

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 42 – RISK MANAGEMENT (continued)**

Staging of forborne loans and advances are presented as follows.

	<b>Loans and advances at amortised cost*</b>						<b>Total MHUF</b>
	<b>Gross carrying amount</b>			<b>Accumulated impairment</b>			
	<b>Stage 1 MHUF</b>	<b>Stage 2 MHUF</b>	<b>Stage 3 MHUF</b>	<b>Stage 1 MHUF</b>	<b>Stage 2 MHUF</b>	<b>Stage 3 MHUF</b>	
Loans and advances* at 31 December 2024							
Corporate	5	3 742	19 165	-	(78)	(6 852)	15 982
of which: Small and Medium enterprises	5	1 885	7 133	-	(68)	(2 582)	6 373
Households	4 293	20 813	2 855	(107)	(790)	(692)	26 372
of which: purchased or originated credit impaired	-	1 635	665	-	(44)	(114)	2 142
Consumer credit	135	3 278	621	(1)	(123)	(217)	3 693
Credit card	22	60	15	-	(3)	(8)	86
Current account	20	137	23	-	(10)	(16)	154
Finance lease	-	-	-	-	-	-	-
Mortgage loan	4 113	16 859	2 181	(106)	(652)	(447)	21 948
Term loan	3	479	15	-	(2)	(4)	491
<b>Total</b>	<b>4 298</b>	<b>24 555</b>	<b>22 020</b>	<b>(107)</b>	<b>(868)</b>	<b>(7 544)</b>	<b>42 354</b>

\*Also including cash balances with central banks and other demand deposits to credit institutions.

**K&H BANK ZRT.****SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 42 – RISK MANAGEMENT (continued)**

The industrial breakdown of forborne loans is included in the table below.

	<u>2025</u>	<u>2024</u>
	<b>MHUF</b>	<b>MHUF</b>
Industry sector		
Agriculture, forestry and fishing	6 718	3 779
Manufacturing	4 619	6 797
Water supply	-	-
Construction	6	20
Wholesale and retail trade	2 180	9 641
Transport and storage	10	36
Accommodation and food service activities	25	2 162
Information and communication	35	32
Administrative and support service activities	33	67
Real estate activities	80	206
Professional, scientific and technical activities	192	162
Public administration and defence, compulsory social security	-	-
Education	10	8
Human health services and social work activities	2	-
Arts, entertainment and recreation	-	1
Other	5	1
Individuals	27 355	31 765
Non-credit institutions	-	-
	<u>41 270</u>	<u>54 677</u>
Forborne loans and advances - gross		
	<u>41 270</u>	<u>54 677</u>
Accumulated impairment	(5 004)	(8 519)
Accumulated negative changes in fair value due to credit risk	(4)	(7)
	<u>(5 004)</u>	<u>(8 519)</u>
Total forborne loans to customers	<u><u>36 262</u></u>	<u><u>46 151</u></u>

All forborne loans are granted to domestic clients in 2025 and 2024.

The table includes the net carrying amount of loans and advances mandatorily at fair value through profit or loss and at amortised cost, and cash balances with central banks and other demand deposits to credit institutions.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 42 – RISK MANAGEMENT (continued)**

**42.6 Operational risk**

In line with KBC Group, the Bank applies the official Basel definition of Operational Risk and Operational Risk Management. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems and from external events. It includes legal and tax risks, but excludes strategic and systemic risks. The Bank takes reputation risk into account to a certain level. When controls fail to adequately perform, operational risks can result in financial loss, damage to reputation, have legal or regulatory consequences. The operational risks can not be completely eliminated; but using sound control framework these risks can be mitigated to an acceptable level.

Processes (business lines) and risk event types together are used as common and universal/uniform framework of reference for reporting purposes. The Bank implemented the use of an uniform set of business lines, risk event types, risk mitigating/measuring processes and a toolkit for operational risk management. This framework was reviewed in 2023 and had been implemented from 2024 onward – except for some specific processes and risks - until the end of 2025.

The first element of the toolkit was the use of *Group-wide Control requirements (Group Key Controls)* which are the key controls, defined by a center of competence intended to control or mitigate major inherent risks. All KBC Group entities had to implement these Key Controls however. *Risk and Control Inventories* are replacing this element gradually, which are bottom-up analysis of the activities, related risks and the control environment. The compliance with the Group Key Controls/Risk and Control Inventories is monitored via a benchmarking (assessment) exercise, assessments which are used to determine the gap between the group-wide requirements and the local practice. The derived action plans are continuously monitored and reported to the Capital and Risk Oversight Committee and Operational Risk Councils. The Local line management is responsible for translating the Group Key Controls/Risk and Control Inventories into local activities as well as for the timely and proper implementation of action plans.

*Risk Self-Assessments* aim to identify and assess the operational risk inherent in all material products, activities, processes and systems by the line management with the involvement of other concerned parties.

A '*Case Study Assessment*' is the process of testing the level of the protection of the current control environment against severe operational risk events that have actually happened in the banking and insurance industry by detecting gaps in subsequent control layers.

In line with the guidelines of KBC, the Bank collects the *operational loss events* in a unified and integrated database which is also used for analysis and reporting purposes.

The method and framework of *Key Risk Indicators* were implemented in 2009. These are measurable metrics or indicators which help the organization with monitoring the inherent and / or residual exposure to certain key risks, and combine the measurement of risk with the actual management of risk. Changes in the risk exposure versus the risk tolerance of the Bank are measured by warning and alert thresholds that are set for each Key risk indicator.

In order to assure the continuity of its critical business services, the Bank has an extensive business continuity framework in place, that includes business continuity plans for material activities, the testing of such plans in order to be prepared for potential crisis situations.

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 43 – SHARE BASED PAYMENT**

The Bank applies specific rules for Key Identified Staff (KIS). The performance-based remuneration of Key Identified Staff is awarded in a manner which promotes sound risk management and does not induce excessive risk-taking. This is ensured by specific rules, which are applicable to the variable remuneration of Key Identified Staff:

- At least 40% of variable remuneration awarded to Key Identified Staff may not be paid straightaway and its payment is spread over a period of four to five years;
- Half of the total amount of variable remuneration for Key Identified Staff is awarded in the form of non-cash instruments (phantom shares) with a one-year retention period;
- No advance payments may be made in relation to the variable component and claw-back/holdback is put in place (evidence of misconduct or serious error; significant deterioration in the financial performance of the Bank; major shortcomings in risk management; significant changes in the economic or regulatory capital base of the Bank).

Key Identified Staff who are allocated variable compensation of less than the amount stated in the Remuneration Policy are considered exempt Key Identified Staff. (In this case, variable remuneration is not subject to four-five years' deferral and payment in non-cash instruments, but 100% of the variable remuneration is settled upfront in cash.) The employees whose variable remuneration is subject to deferral and payment in non-cash instruments are called material Key Identified Staff.

The number of phantom shares to which each Key Identified Staff is entitled is calculated based on the average price of the KBC share during the first three months of the year following the year to which the variable remuneration relates. Phantom shares are converted into cash on the basis of the average price of the KBC share during the first three months of the pay-out year.

	2025		2024	
	number of shares	weighted average share price* HUF/share	number of shares	weighted average share price* HUF/share
Outstanding as at the beginning of the period	10 036	25 467	7 559	25 659
Granted	5 182	32 911	6 227	24 748
Exercised	(4 887)	24 959	(3 750)	26 722
Transferred**	608	29 155	-	25 467
Outstanding as at the end of the period	<u>10 939</u>	<u>29 155</u>	<u>10 036</u>	<u>25 467</u>

\*Share prices as at the grant date weighted by the number of shares granted at that date.

The value of the phantom shares outstanding as at 31 December 2025 based on the year-end closing price of KBC shares was 40 722 HUF/share (28 461 HUF/share as at 31 December 2024).

There were no shares exercisable as at 31 December 2025 (and as at 31 December 2024).

The weighted average share price of shares converted to cash as at the date of the exercise was 32 911 HUF/share in 2025 (24 748 HUF/share in 2024).

The weighted average remaining contractual life of phantom shares outstanding as at 31 December 2025 is 19 months (19 months as at 31 December 2024).

**K&H BANK ZRT.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 43 – SHARE BASED PAYMENT (continued)**

The Bank applied the share based payment plan for the 2025 performance as well.

As at 31 December 2025 the information related to the number of phantom shares for the 2025 performance is not available, since the first grant date is in April 2026.

From the grant date phantom shares are valued based on the quoted market prices of KBC shares. No intrinsic value is recorded.

A part of the Bank's employees are entitled to participate in defined benefit plan founded by the Bank. The amount of benefits to be provided depends on the employee's length of service in a certain past period and the level of reference interest rate. The future payments regarding to the plan have no significant effect on the Bank's cash flow.

## K&H BANK ZRT.

### SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### NOTES TO THE FINANCIAL STATEMENTS

##### NOTE 44 – SOLVENCY AND CAPITAL

Based on the Hungarian Law (Act C of 2000. no. 114 / B. §)

	<u>2025</u>	<u>2024</u>
	<u>MHUF</u>	<u>MHUF</u>
Share capital in accordance with IFRS	140 978	140 978
Capital reserve	48 775	48 775
Tied-up reserve	84 147	70 326
Revaluation reserve	(6 245)	(4 278)
Accumulated profit	326 651	323 888
Profit for the year	138 211	128 233
<b>Total equity</b>	<b>732 517</b>	<b>707 922</b>
from this		
Registered capital by the Registry Court	140 978	140 978
Distributable reserves available for dividend payment	464 862	452 121

In accordance with Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (banking law) and the EU Regulation No 575/2013 on prudential requirements for credit institutions and investment firms (CRR), the Bank must have a minimum capital in place. The Bank reports its level of capital adequacy situation to the Hungarian National Bank on a quarterly basis and also forecasts are prepared to the Capital and Risk Oversight Committee (CROC) of the Bank on a regular basis. When needed, the Bank's Executive Committee decides and proposes to KBC Group any necessary steps that the Committee believes need to be taken (such as capital increase, subordinated debt increase, dividend payment, etc.).

	<u>2025</u>	<u>2024</u>
	<u>MHUF</u>	<u>MHUF</u>
Tier 1 capital elements	615 298	546 433
Adjustments due to prudential filters	4 098	8 200
<b>Tier 1 total</b>	<b>619 396</b>	<b>554 633</b>
Tier 2 capital elements	7 923	18 207
<b>Tier 2 total</b>	<b>7 923</b>	<b>18 207</b>
<b>Own funds</b>	<b>627 319</b>	<b>572 840</b>

The Bank fulfilled the capital requirements set by Hungarian National Bank continuously during years 2025 (and 2024) and at 31 December 2025 (and at 31 December 2024). The Bank is required to set aside 10% of its profit calculated as a statutory reserve for use against future losses. The balance of this reserve as at 31 December 2025 was HUF 84 147 million (HUF 70 326 million as at 31 December 2024). The Bank had distributable reserves of HUF 464 862 million as at 31 December 2025 (HUF 452 121 million as at 31 December 2024).

Dividend proposed on ordinary shares for 2025 amounts to HUF 50 000 million (HUF 112 000 million as at 31 December 2024).

Approved by the Board of Directors on 20 April 2026.

*Peter Roebben*  
Chief Executive Officer  
Member of the Board

*Attila Gombás*  
Chief Financial Officer  
Member of the Board



**K&H Bank Zrt.**

**Business Report**

**31 December 2025**

Below we summarise the business operations, the operating conditions and the financial results of K&H Bank Zrt. (hereunder "Bank") in 2025.

## 1. Economic environment

In 2025, the growth of the Hungarian economy remained moderate. Based on raw data, annual GDP volume exceeded the previous year's level by 0.4%, weaker than the 0.6% growth recorded in 2024 and low by comparison with many EU member states. Economic expansion was mainly supported by the service sector and construction, while industrial and agricultural output underperformed.

Growth remained uneven over the year. In the first and third quarters, the economy experienced a slight contraction and stagnation, whereas expansion occurred in the second and fourth quarters. From a demand-side perspective, household consumption was the main driver of growth, while gross accumulation weighed on economic activity in the first half of the year and only contributed positively in the second half. The external environment continued to provide limited support to economic growth.

Inflation moderated steadily throughout 2025, declining from 5.5% in January to 3.3% in December. Nevertheless, average annual inflation stood at 4.4%, remaining above the central bank's target range. Disinflation was supported by the appreciation of the exchange rate, moderating global food prices, government measures (including price caps), and the tight monetary policy stance maintained by the central bank.

The unemployment rate remained low, standing at 4.4% at the end of 2025, reflecting continued labor market tightness. At the same time, employment declined by approximately 45,000 persons, pointing to structural challenges, particularly in the context of a shrinking working-age population.

Fiscal policy became more accommodative over the course of the year, with new economic stimulus measures introduced mainly in the second half of 2025. Despite a nearly 1 percentage point of GDP reduction in interest expenditures, the budget deficit only decreased slightly to 4.8% from the 5% of GDP recorded in 2024, remaining well above initial targets. Public debt, which stood at 73.5% of GDP at the end of 2024, likely increased further to 74.6%, primarily due to weak economic growth. The share of foreign currency-denominated debt remained close to 30%.

Hungary's current account balance remained in surplus in 2025, partly reflecting subdued import growth, to which weak investment activity also contributed, while exports grew at a faster pace.

No progress was made in accessing additional EU funds during 2025; only the amounts released at the end of 2023 remained available. Credit rating agencies did not change Hungary's ratings during the year, maintaining investment-grade status. However, S&P's negative outlook indicates downside risk. Overall, Hungary's risk assessment remained broadly unchanged, with some improvement observed in December following the confirmation of the sovereign credit rating.

Overall, 2025 was characterized by slow and subdued economic growth. While inflationary pressures eased and unemployment remained low, structural challenges, fiscal vulnerabilities, and growth risks persisted.

	2024 actual	2025 preliminary
GDP growth	+0.6%	+0.4%
CPI (average)	+3.7%	+4.4%
Households' consumption	+4.9%	+2.7%
Investments	-11.6%	-4.3%
Unemployment rate	+4.4%	+4.4%
Budget deficit (ESA) (in % of GDP)	-5.0%	-4.8%
Debt/GDP rate	73.5%	74.6%
Balance of payments (in % of GDP)	+1.5%	+1.7%

Source: MNB, KSH, K&H

The world's leading central banks continued the monetary policy easing cycle that began in 2024. In the first half of the year, the European Central Bank (ECB) reduced its key policy rate from 3% to 2%. In contrast, the United States Federal Reserve (Fed) delayed its first rate cut until September and subsequently lowered the benchmark rate by 75 basis points in three steps, from the 4.25%–4.50% range to 3.50%–3.75%.

Unlike these major central banks, the Hungarian National Bank (MNB) kept its policy rate unchanged at 6.5% throughout 2025. The central bank maintained a cautious and restrictive monetary stance,

prioritizing the rapid anchoring of inflation expectations and the restoration of price stability. In parallel, government measures—including the possibility of reducing the extra profit tax on banks—encouraged financial institutions to increase their holdings of government securities, thereby providing additional financing resources for the Government Debt Management Agency.

The restrictive monetary policy contributed to a significant strengthening of the forint. Compared to the beginning of the year, the domestic currency appreciated by approximately 7% against the euro, making it one of the best-performing emerging market currencies and outperforming regional peers. Against the US dollar, the appreciation was even more pronounced: by the end of the year, the forint was more than 21% stronger than at the start of 2025.

## 2. Key balance sheet and performance data

### 2.1. Balance sheet

HUF Bln	31 Dec 2024	31 Dec 2025	Variance
Total assets	6,104	6,263	+2.6%
Central Banks and credit institutions	1,368	1,007	-26.4%
Hungarian government bonds and Treasury bills	1,427	1,589	+11.3%
Loans and advances to customers	2,843	3,158	+11.1%
Deposits from customers	3,973	4,215	+6.1%
Equity	708	733	+3.5%

Total assets of K&H Bank amounted to 6,263 bln on 31 Dec 2025 (+2.6% growth in 2025).

- *Loans and advances to customers* increased by 11% in 2025:
  - In an environment where corporate loan demand remains subdued, K&H achieved a corporate portfolio growth of 3 percent compared to the previous year. K&H continues to play an active role in state subsidised financing programmes that support day-to-day operations and investment activity: under the Széchenyi Card Programme, our total contracted volume reached HUF 387 billion. Our project finance portfolio amounted to HUF 437 billion, representing a market share of over 12 percent. Under the Eximbank's Demjén Sándor Programme, K&H concluded contracts totalling around HUF 82 billion, reaching a 16 percent market share. Our clients also have access to the 3 percent interest rate Széchenyi Card Loan, the consumer-friendly loan products and the KAP loan facility. Our leasing portfolio reached HUF 120 billion at the end of the year, and new lease disbursements amounted to HUF 53 billion.
  - The housing loan market continued to grow robustly in 2025. K&H's housing loan portfolio increased by 21 percent, outperforming the market average. The Otthon Start Programme, launched in September, generated significant demand, with more than HUF 285 billion in loan applications registered by year end. Thanks to the scheme, new mortgage disbursements exceeded the previous year's volume by 38 percent, and in December were nearly three times the level of a year earlier. Within this, subsidised loan products accounted for 80 percent at K&H. Cash loan disbursements rose by 40 percent year on year.
- *Deposits from customers* reached HUF 4,215 billion, 6 percent higher than in the previous year:
  - Retail deposits totalled HUF 1,554 billion, representing 12 percent annual growth. Assets under management in investment funds grew by 17 percent to more than HUF 2,082 billion, reflecting continued client confidence.
  - Corporate deposits increased by 2% yoy, K&H's market position remained quite stable throughout the year.
- *Shareholders' equity* increased by 25 bln (+3%) compared to 31 Dec 2024. Main elements of the change: profit of 2025 (+138.2 bln), dividend paid after the profit of 2024 (-112 bln), higher cash flow hedge reserve (+4.1 bln) and revaluation reserve of securities (-6.1 bln). The capital adequacy ratio was 19.3% at 31 December 2025.

## 2.2. Profit

HUF bln	2024	2025
Profit after taxation	128.2	138.2

The Bank's profit was impacted by several government measures in 2025:

- windfall tax for financial institutions (-14.7 bln)
- interest rate cap for mortgages (-1.8 bln)

The evolution of the main P&L items:

- *Net interest income* went up by 5% compared to previous year (2025: 224.4 bln, 2024: 214.6 bln) primarily driven by the increasing loan and deposit volumes.
- There was 15% growth in *net fee and commission income* (2025: 121.6 bln, 2024: 105.4 bln) driven by higher transactional income and investment services (mutual funds volume managed by the Bank increased by 17% in 2025).
- *Net gains from financial instruments at fair value & foreign exchange differences* amounted to 32.9 bln in 2025 (2024: 35.7 bln).
- *Operating expenses* amounted to 228.0 bln in 2025: the 11% increase is primarily due to IT costs (driven by new digital solutions, regulatory and the new core system related investments).
- There was a 2.9 bln negative P&L impact of impairment on financial assets at amortised cost (driven primarily by volume impact and migrations in corporate segment).

## 3. Risk Management

Banks are exposed to several types of risks due to their operations. K&H Bank has a system in place for the measurement and appropriate management and limitation of these risks. The system has been aligned with the risk management system of the shareholder KBC Group both in terms of methodology and organisational set-up.

### 3.1 Risk management governance model

The risk management governance model seeks to define the responsibilities and tasks of various bodies and persons within the organisations with a view to ensure the sound management of value creation and all the associated risks to which the banking business is exposed. The Bank's risk governance model is organised in three tiers:

- Overarching company and risk committees are the Board of Directors (BoD), the Audit Board (AB), Risk and Compliance Committee (RCC), the Executive Committee (ExCo), the Country Team (CT) and the Capital and Risk Oversight Committee (CROC). These committees concentrate on overarching risk management and on monitoring value creation.
- Specialised risk councils (Credit Risk Council (CRC), Operational Risk Councils (ORC), Asset Liability Management Risk Council (ALRC)) concentrate on implementing a group-wide framework for one particular type of risk and monitoring the associated risk management process. The risk councils are composed of representatives from line management and relevant Risk Management departments.
- Line management and activity-specific committees have primary responsibility for value and risk management on the operational level. Whereas Risk Management Directorate measures risks, economic capital and value creation for all relevant business entities and reports their findings directly to line management and the relevant activity-specific committees.

The Board of Directors and the Risk and Compliance Committee have an important role to play in value creation and risk governance. Regular reporting to the Risk and Compliance Committee – quarterly risk reports, yearly overview of the remuneration policy and the risk based pricing policy – ensures that there is an ample flow of information to the relevant members of the Board over the course of the year. Moreover, through the involvement of the entire Board in the annual round of approvals of risk-tolerance limits, the Board is able to take informed decisions on the degree of risk it finds acceptable for the Bank and on the adequacy of the risk management structure.

### 3.2 Risk types

- **Credit risk** means the potential loss sustained by the bank if a customer becomes insolvent or cannot perform their payment obligations in due time. Credit risks are managed by risk mitigating techniques approved by the management of the Bank. Regulations cover the entirety of the lending process. The bank constantly monitors the credit portfolio and prepares reports on the findings to the senior management of the Bank.

In the framework of the Basel II program, late 2010 the Bank was granted the permission of the regulator to use the internal rating model (IRB Foundation) which has been applied for regulatory capital calculation for credit risk since 1 January 2011. During the program, the Bank reviewed all debtor rating models and upgraded them in line with the new uniform group-level methodology.

In the subsequent years, the bank paid special attention to the enhancement of the applied risk management methodology, with special regard to the analyses of the various stress scenarios affecting the credit portfolio (macro-economic indicators, foreign exchange rate changes and the changes in real estate values. Based on MNB permission, the Bank shifted to IRB Advanced methodology for regulatory capital calculation from 30 September 2015.

Management reports have been developed due to the evolving crisis situation in order to have a clearer picture on the possible consequences, and to identify vulnerable portfolios. Furthermore the continuous flow of information between modelling department, business departments and other departments in the Bank is very important to have up to date and relevant information regarding credit risk.

The Bank instated numerous restrictions in acceptance and underwriting criteria in order to minimize credit risk. These restrictions are being reviewed regularly as portfolio evolutions require it and are modified when properly justified. Based on the first deep dive on new production portfolio it can be said that quality is good, there are no indicators of substantial worsening trends (e.g. based on transactional data).

The Covid related management overlay was fully released in 2022. However, the outbreak of war between Russia and Ukraine and the related energy crisis has created new risks ("Emerging risks"). As a consequence, the Bank has set up a reserve to cover any losses and created various watchlists, which closely monitor clients exposed to crisis situations. The amount of this reserve has decreased continuously in 2025.

The Bank has taken note of the interest cap decree and its extensions and is sending information to all affected customers. Furthermore, the Bank estimated the expected impact of the decree and its extensions and is prepared for the upcoming period.

The main conclusions for 2025 are:

- The performance of the corporate portfolio remained stable during 2025 with volume increase in all business lines. Quality of SME portfolio shows stable risk indicators (both NPL ratio and delinquencies). The bank continuously evaluates the evolution of the portfolio and if necessary makes the needed risk decisions/advises to mitigate credit risk be they new limits, or other restrictions.
  - Retail portfolio remained stable with significant volume increase. As with the corporate portfolio, the monitoring is continuous and evolves according to the various geopolitical and macroeconomic developments which can have a significant impact on credit risk.
- **Market risk** means the potential loss suffered by the Bank upon a change in the value of foreign currency and interest positions. Both the asset-liability management and market risk management are based on the methodology applied by the shareholder KBC Group. Accordingly, the Capital and Risk Oversight Committee continuously monitors banking and trading book risks and controls them by setting limits (in compliance with the limit policy of KBC). Interest risks are measured and controlled by the joint application of various methods and limits (gap analysis, interest sensitivity, duration, BPV, NII, CSRBB, stress tests). There is also sovereign exposure monitoring in place.

The banking book is characterized by medium level interest rate risk taking. KBC group level Internal Capital Calculation Method was underpinned by the regulatory 200bp as well as EBA stress test scenarios. ICM is also compared to MNB's ICAAP handbook capital model.

Trading risk taking was very small at around 50% of the available VaR limit. From 2020 Q2, K&H Bank reports its trading risk capital requirement applying CRR. Art.94 – Derogation of Small Trading Book (STB), as a result of compliance with regulatory requirements. National Bank of Hungary (MNB) accepted that K&H Bank was going to use STB. Position risk' capital requirement is henceforth calculated under the credit risk framework, thus the trading risk capital requirement decreased significantly. There is continues daily monitoring and strong control environment in place which was accepted by MNB to provide STB compliance and regulatory requirements.

- **Liquidity risk** means the risk of the inability of an institution to comply with net financing requirements. Liquidity risk may be caused by disturbances on the market, credit downgrading, which may result in the constant cessation of certain financing sources. On process level the bank is managing liquidity risk as part of the ILAAP framework through the cooperation of the affected departments. Management seeks to diversify the financing sources and manages assets with due regard to liquidity requirements, maintaining a healthy balance between cash, liquid funds and promptly marketable securities. Short term liquidity risk is measured by the operational liquidity limit which establishes whether there is sufficient coverage for the 30-day cumulative liquidity gap. Structural liquidity is monitored through Basel III liquidity ratios (LCR, NSFR) as well as FFAR (DMM) indicator and by liquidity stress tests (including the regulatory liquidity stress test) and liquidity early warning signals. The department prepares regular reports to the K&H Bank Capital and Risk Oversight Committee on the various liquidity indicators and limits.

	2024. 12. 31.	2025. 12. 31.	Regulatory requirement
NSFR (%)	148	139	100
LCR (%)	199	177	100
FFAR* (DMM) (%)	170	180	100

\* Foreign exchange funding adequacy ratio

- K&H Bank group manages **operational risks** (the potential loss that may arise as a result of inappropriately operating systems, processes, human errors or external events) based on uniform principles and methodology. The methodology includes various techniques of risk identification and risk analysis such as self-assessments (top-down and bottom-up), root cause analysis of incurred losses and the assessment of key risks and implementation of key control objectives defined by KBC group. The risk mitigation measures (or risk acceptance) are decided according to the uniform accountability rules (decision-making authority).

The methodology also covers the management of risks related to IT systems and information security, including change management and procedures to be applied in case of IT system outages. The identified exposures and the management of these risks are followed up by the Capital and Risk Oversight Committee and analyzed in details by the Operational Risk Councils that cover the entire organization. K&H Bank group applies the new Standard Measurement Approach (SMA) method to calculate the Pillar I. capital requirement for operational risk.

#### 4. Operating Conditions of the Bank

Capital investments in the branch network:

- During the year of 2025 the set-up, full or partial reconstruction of 18 branches was started or completed.
- By the end of 2025, altogether 639 ATMs were serving our customers (incl. 448 cash-in ATMs).

The number of branches at year end 2025 was 190.

The main IT developments of 2025 are:

- To comply with legal requirements, we have launched, continued or completed several project-sized developments (e.g CyberShield, MNB resolution reporting, Basel IV., SWIFT ISO 20022 compliance development, Detection, prevention and treatment of identifiable fraud in payment solutions, PSD2 compliance, Central Fraud Filtering System (KVR) , etc.)

- Széchenyi Card Programme: introduction of Széchenyi Card overdraft and the Agricultural Széchenyi Card products.
- SME BioSigno: qualified authentication based on qualified personal certificate at client points.
- Under the Innovation Programme, the following main developments have taken place or were in progress:
  - Kate: several new functionalities became available in the Artificial Intelligence-based interactive personal assistant application of K&H (among others travel insurance, transfer limit modification, managing regular transfers etc.).
  - Mobile application: additional services have been implemented in 2025 (motorway ticket purchase, card overdraft, automatic renewals for parking, account opening for young people, FX transfer on mobile).
  - DÁP (Digital Citizenship): development and integration of the digital identification and the digital signature capability throughout the Bank and Insurer.
  - AFR (Instant Payment System) 2.0: secondary ID registration initiated by a customer through non-bank operators
  - e-channel security enhancements.

## 5. Non-financial statement

KBC Group is obliged to publish a Sustainability Statement as part of its Annual Report, according to EU's Corporate Sustainability Reporting Directive. K&H - as a 100% subsidiary of KBC - is exempted from issuing a standalone, local Sustainability Statement. Nevertheless, K&H's relevant sustainability data is incorporated into the KBC Group (headquartered: Havenlaan 2, B-1080, Brussels, Belgium) Sustainability Statement.<sup>1</sup>

However to summarise the most important sustainability and ESG related information about K&H, every year we publish a voluntary (non-audited) K&H „Report to society”<sup>2</sup> on our website. In this report we present our results in the field of environmental, social and governance topics:

- our sustainability strategy
- our efforts to make our business more sustainable
- progress in making our own environmental footprint smaller
- actions in the field of human resources and inclusive culture
- our answers to the relevant social sustainability related questions of the Hungarian society
- focus areas in innovation and governance.

Budapest, 20 April 2026

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Peter Roebben  
Chief Executive Officer

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Attila Gombás  
Chief Financial Officer

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<sup>1</sup> <https://wcmassets.kbc.be/content/dam/kbccom/doc/investor-relations/Results/jvs-2025/jvs-2025-gr-en.pdf.cdn.res/last-modified/1774614405054/jvs-2025-gr-en.pdf>

<sup>2</sup> The report can be downloaded from the following site: <https://www.kh.hu/csoport/fenntarthatosagi-jelentesek>. Please note the voluntary report is not fully aligned with CSRD principles.